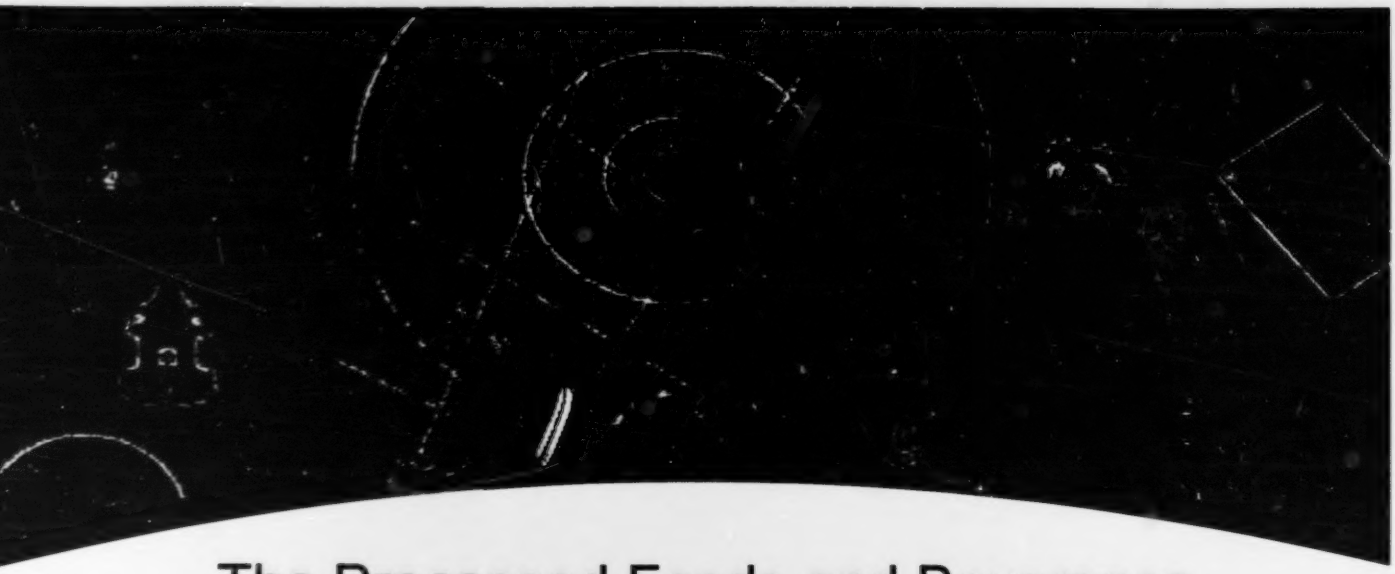


The Processed Foods and Beverages Market in Hong Kong

February 2001

MARKET RESEARCH CENTRE

Market Reports are available online at:

www.infoexport.gc.ca

Department of Foreign Affairs and International Trade
Ministère des Affaires étrangères et du Commerce international
Canada

The Processed Foods and Beverages Market in Hong Kong

February 2001

(*Également disponible en français sous le titre,*
Le marché des aliments transformés et des boissons à Hong Kong)

Prepared by the
Market Research Centre
and the
Canadian Trade Commissioner Service

© Department of Foreign Affairs and International Trade
(FaxLink no. 34136)

Canada

The Market Research Centre produces a wide range of market reports by region and sector for Canadian exporters. For further information please contact:

Market Support Division (TCM)
Department of Foreign Affairs
and International Trade
E-mail: mrc@dfait-maeci.gc.ca

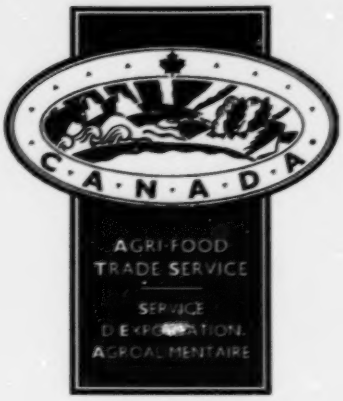
- FaxLink Domestic service (613-944-4500);
- DFAIT Internet site (http://www.dfait-maeci.gc.ca)

Trade Evaluation and Analysis Division (TEAD)
Agriculture and Agri-Food Canada
Contact: Jim Lowe
Tel.: (613) 759-7652
Fax: (613) 759-7505
E-mail: lowej@em.agr.ca

ATS Online
(http://ats.agr.ca)

The Government of Canada has prepared this report based on primary and secondary sources of information. Readers should take note that the Government of Canada does not guarantee the accuracy of any of the information contained in this report, nor does it necessarily endorse the organizations listed herein. Readers should independently verify the accuracy and reliability of the information. This report is intended as a concise overview of the market for those interested in its potential, and is not intended to provide in-depth analysis that may be required by the individual exporter.

101-02157/



The Processed Foods and Beverages Market in Hong Kong

February 2001

(Également disponible en français sous le titre,
Le marché des aliments transformés et des boissons à Hong Kong)

Prepared by the
Market Research Centre
and the
Canadian Trade Commissioner Service

© Department of Foreign Affairs and International Trade
(FaxLink no. 34136)

Canada

TABLE OF CONTENTS

EXECUTIVE SUMMARY 4

MARKET OVERVIEW 6
Key Factors Shaping Market Growth 14
Opportunities 16
Actual and Planned Projects 17

COMPETITIVE ENVIRONMENT 18
Local Capabilities 18
International Competition 20
Canadian Position 27
Competitive Advantage Through Canadian Government Policies and Initiatives 30

PRIVATE-SECTOR CUSTOMERS 31

PUBLIC-SECTOR CUSTOMERS 33
Government Procurement Regulations 33

MARKET LOGISTICS 34
Channels of Distribution 34
Direct Sales 34
Distributors and Wholesalers 34
Agents and Sales Representatives 37
Market-entry Considerations 37
Suggested Business Practices 37
Import Regulations 38
Local Standards, Certificates or Registrations 40
Export Credit Risks, Restrictions on Letters of Credit, Currency Controls 41

PROMOTIONAL EVENTS 42

KEY CONTACTS AND SUPPORT SERVICES 44

APPENDIX A – Business Do's and Don'ts 52

BIBLIOGRAPHY 53

OTHER REFERENCE MATERIAL 54
Useful Internet Sites 54

THE PROCESSED FOODS AND BEVERAGES MARKET IN HONG KONG

Team Canada Inc • Équipe Canada inc

MARKET OVERVIEW

The Hong Kong Special Administrative Region (SAR), as a port of international trade, plays a unique role as central hub for global food products destined for the food market in China, and also plays a similar role for Chinese food products to be exported to the rest of the world's markets. Hong Kong relies upon imports to supply the food that its population demands, as its own food production is not significant. Hong Kong influences trends in fashion, music and food consumption in China making it an ideal testing ground for exporters who wish to access the larger China market. With respect to food quality specifically, goods that are acceptable to consumer tastes in Hong Kong will frequently be accepted in China as well.

Chinese types of food dominate the market, although local tastes have been changing in recent years. With the continuous growth of supermarkets and the change in eating habits among younger Chinese consumers, western-style processed food, frozen food, and packaged food have become more popular. Substantial quantities of these items have been imported from abroad to satisfy local demand. Many world-renowned brands such as President's Choice and McCain (both from Canada), Del-Monte, Campbell's, Bird's Eye, Sara Lee, Kraft, Nabisco and Heinz are readily available in Hong Kong supermarkets.

Hong Kong government figures for 1999 showed that the population's daily consumption levels averaged approximately 870 tonnes of rice, 1100 tonnes of vegetables, 6200 pigs, 180 cattle, 160 tonnes of poultry, 290 tonnes of fish, 1800 tonnes of fruit, and 200 tonnes of eggs.

Demographics

Hong Kong has a population of more than 6.9 million people, with an average growth rate of 1.8% per year. Population density is very high: 6480 people per square kilometre. The majority of the population lives in small apartments, by Canadian standards, of between 300 and 700 square feet. Under the relocation policy of the Hong Kong SAR government, there has been a marked shift of population from the overcrowded central urban areas to new "satellite towns" in the New Territories.

The median age of the population rose from 30 in 1988 to 36 in 1998. The ratio of younger to older people (i.e. 15 to 64 years old) dropped from 433 to 387 per 1000 over

the decade. The aging population, rising incomes, increasing number of women entering the work force, and more consumers being exposed to international cuisine and food products (either domestically or abroad), are leading to an increasingly sophisticated and mature consumer market. Consumers are therefore expecting greater variety in food product offerings, but are also looking for good value in quality food items.

Food items are estimated to comprise 12% of the average household's total consumption, with rent being the primary household expenditure. Even through the economic difficulties associated with the Asian economic crisis of 1997-1998, the food expenditure share of the household budget in Hong Kong remained the same at the sacrifice of other purchases, especially luxuries and non-necessities, such as chocolates and expensive vintage wine. Rental costs, although dropping, are still extremely high by Canadian standards, and storage space for foods in homes (condominiums and apartments) is limited. As such, most consumers shop for food on a daily basis and store a limited quantity of cooking staples in their kitchens. Furthermore, buying fresh food daily is an essential part of many Hong Kong residents' social routines.

Subsectors

Meats

Hong Kong's consumption of beef and pork products has fluctuated in the past few years. The 1997 bovine spongiform encephalopathy (BSE) and E-coli scares resulted in significant declines in consumption that year. Later in the same year, the outbreak of an avian flu virus that swept through Hong Kong in December 1997 boosted the demand for beef and pork products.

Demand for live poultry was unable to recover from the scare and remains at a low level. Demand for frozen poultry, however, continues to grow with the strong requirement from China for inexpensive meat. Low prices of feed in some of the world's largest poultry producing countries have allowed for increased production and lower costs.

The increasing usage of frozen meat products by the hospitality and restaurant industry to reduce food cost boosted the demand for frozen meat at the expenses of fresh meat. Consumers also developed an increased acceptance of frozen food products with the increasing number of retail locations selling a large variety of frozen meat and food products. As the Hong Kong economy continue to recover and consumers demand high quality safe meat, there is a market opportunity for chilled meat, in particular pork.

Fish and Seafood

The market for fish and seafood products in Hong Kong is large and diverse. In 1998, Hong Kong residents consumed an estimated 116 000 tonnes of marine fish and 44 500 tonnes of fresh water fish. Of these totals, nearly 40% of marine fish and 89% of fresh water fish were supplied through imported fish and seafood products. Hong Kong also consumes enormous quantities of other seafood products including lobster, shell fish, clams, oysters, sea cucumber, sea urchin and scallop. The Hong Kong consumers are willing to try novelty seafood products including non-traditional species in North America.

Alcoholic Beverages

The market for alcoholic beverages grew through the 1990s, although total imports decreased as a result of the Asian economic crisis in 1997-1998. Imports in 1999 totalled $655 million, down 37% from the value of sales in 1997. Most of that difference was accounted for in the decline in sales of spirits and premium wines, which fell by $272 million during the two-year period, to $470 million in 1999. Beer continues to be treated more like a grocery item, whereas wines and spirits are still perceived as high-class products.

Beer accounted for more than 75% of total alcohol imports by volume in 1999, totalling 129 million litres, which was down by 32 million litres from the previous year's total. Imports of beer reached $168 million in 1999, comprising 26% of overall alcohol imports by value that year. Despite the high level of sales, competition within the beer market is so intense that beer manufacturers cannot maintain strong loyalty among consumers. The beer market is highly saturated, which might give the competitive advantage to those manufacturers that actively invest in marketing activities to promote their products.

Lager far outsells any other kind of beer in Hong Kong, comprising more than 96% of beer sales for several years. Of these sales, standard lager (3.3% to 4.2% alcohol by volume) and premium lager (4.3% to 7.4% alcohol) accounted for roughly 40% and 30% of volume sales, respectively. Volume sales of beer with alcohol per volume of 1.3% to 3.2% slipped from 40.4% in 1994 to 24.2% in 1998. Low-alcohol or non-alcoholic beer shares of volume sales have been steady at 3.7% for several years. Ales and stout beers are responsible for the majority of the remainder of non-lager sales.

Hong Kong is the second-largest wine market in Asia, with a wide variety of the world's wines available from retailers and specialty importers. During the time of the economic crisis, and due to concern over the negative health effects of strong spirits, the consumption of strong spirits dropped substantially. Although domestic consumption of wine (mainly red wine) was sustained during that period, sales have shifted to the medium low to low price range. Wine re-exports to China have dropped more than 90%

in the past two years. In view of China's increasing grape wine production and the declining popularity of grape wine because of the low quality wine that imported in the 1997 "red wine rush", wine re-export trade to China will remain slow.

The market for grape wine has expanded in recent years due to the development of consumer awareness of the potential health benefits of grape wine consumption. While older consumers prefer drinking spirits, younger consumers have not followed that trend. Education concerning the benefits of grape wines, and intense marketing by international trade commissioners, have led to a decline in the consumption of spirits in Hong Kong. In addition, the lowering of import duties on wine in 1997 from 90% to 60% allowed more consumers to afford imported grape wines, and brought more varieties of inexpensive grape wines to the retail market. Wine sales totalled $201.1 million and 12.8 million litres in 1998, for a 20.5% share of the market value.

Traditionally, Hong Kong has not been a significant producer of grape wine, which has meant that it is dependent upon imports to satisfy consumer demand. The market continued to expand, even during the recession of 1997-1998, as consumption of still red wine reached 4.6 million litres in 1998, and still white wine sales totalled 1.8 million litres that year. Sparkling wine sales totalled $26.1 million and 256 000 litres, while inexpensive domestic productions of Chinese yellow wine, Chinese rice wine (for cooking), and other non-grape wines totalled more than 5.7 million litres of sales, but were valued at just $48.2 million.

While brandy and cognac are the most popular of the spirits sold in Hong Kong, their sales in both value and volume terms are decreasing. Value and volume sales both declined by more than 40% between 1994 and 1998, as sales totalled $188.7 million in 1998, and represented 28.3% of total sales for the spirits subsector that year. Whisky sales also struggled in 1998, though they have not experienced the constant slide in sales that brandy and cognac have experienced. Whisky sales of 869 000 litres in 1998 totalled $49.2 million. Between 1994 and 1998, retail sales of spirits declined 22.6% by volume to 7.3 million litres, and fell by 36.2% in value to $298.3 million in 1998.

Non-alcoholic Beverages

The market for non-alcoholic beverages in Hong Kong is well-developed, and is entering maturity. Carbonates comprise the most significant portion of the soft drink market, representing 56% of volume sales (297.9 million litres) in 1998, and 48% of total value sales ($580.9 million). Many multinational corporations are competing to maintain market share sales, making the non-alcoholic beverage market (and the carbonated beverage market, specifically) a highly contested subsector of the beverage industry in Hong Kong. The population's wealthy consumers tended to drink fewer carbonate drinks than they did in the 1980s. This is due to rising health awareness, which has directed sales toward other segments of the non-alcoholic beverage market,

such as mineral water and fruit juice. However, this same health trend has also led to the introduction of diet carbonated drinks, as well as other niche carbonated varieties.

As indicated in Table 1, orange flavoured carbonates are the most popular of both the cola and non-cola flavours, accounting for 26% of all carbonated beverage sales. However, sales levels of orange-flavoured drinks have been slowly declining in recent years, as other flavours are introduced and consumers try new drinks.

Table 1. Retail Sales of Carbonates by Subsector in Hong Kong, 1994-1998

Type (million litres)	1994	1995	1996	1997	1998
Cola Carbonates					
• Standard	42.4	43.6	44.5	45.3	46.2
• Low calorie	28.0	29.7	31.4	32.6	33.6
• Other	9.6	10.5	11.3	11.8	12.0
Non-cola Carbonates					
• Lemon/Lime	41.2	40.6	41.9	43.2	44.2
• Orange	79.0	78.8	78.6	78.3	78.1
• Mixers	24.7	25.0	25.5	25.9	26.2
• Other	36.0	43.8	50.0	55.3	57.5
TOTAL	***260.9***	***272***	***283.6***	***292.3***	***297.9***
Type ($ millions)	**1994**	**1995**	**1996**	**1997**	**1998**
Cola Carbonates					
• Standard	68.1	71.3	73.4	76.9	84.1
• Low calorie	48.6	52.7	56.2	59.3	66.5
• Other	16.8	18.6	20.4	21.6	23.3
Non-cola Carbonates					
• Lemon/Lime	80.7	80.5	82.9	86.7	93.3
• Orange	125.6	129.0	129.4	131.9	141.6
• Mixers	44.5	45.7	46.7	48.6	52.7
• Other	65.4	82.0	94.9	106.4	119.3
TOTAL	***449.7***	***479.8***	***504.0***	***531.3***	***580.9***

Source: Euromonitor, The Market for Soft Drinks in Hong Kong, January 2000.

Sales of bottled water[2] increased by nearly 10 million litres from 1994 to 1998, reaching 62.8 million litres and totalling $157.6 million. This increase represented a 35% rise in

[2] Bottled water includes distilled drinking water, natural mineral water, table water and spring water.

sales value over the five-year period. During the same period, sales value of fruit and vegetable juice increased by 33%, while volume sales increased by 22%, for sales totalling $141.6 million and 56.5 million litres in 1998. Sales in the juice and bottled water subsectors have been fuelled by younger consumers who are attracted by the healthy aspects of these soft drinks.

The popularity of bottled water is due to the high levels of industrial development in Hong Kong and southern China, and the resulting pollution of water supplies. More than 70% of all bottled water is still water (i.e. not carbonated), the majority of which is distilled locally. Bottled water is used for both drinking and for cooking, in cases where tap water is not boiled. Carbonated bottled water, which accounted for 18% of sales in 1998, was most popular among younger consumers. Flavoured bottled water sales suffered from a lack of product promotion through the late 1990s. However, this subsector still had sales of $13.4 million in 1998.

Juice drinks comprised nearly 70% of total juice volume sales in 1998, while accounting for 63% of retail sales. While 100% long-lasting juice sales totalled 12 million litres ($32.5 million) in 1998, its growth through the five-year period was just 6.1%, while sales of 100% fresh juice grew by 54.1%, to reach 5.1 million litres on sales of $18.7 million in 1998. Due to the preservatives in long-lasting juices and their perceived negative health effects, that subsector has lost sales to the fresh juice market. Sales of nectar drinks were negligible throughout the 1994-1998 period. Vegetable juice consumption is also low in Hong Kong, which has resulted in limited efforts by manufacturers toward marketing and promotion.

The portion of the market represented by other non-alcoholic beverage sales is dominated by ready-to-drink tea. Sales of this beverage are highest during the summer. Ready-to-drink teas were responsible for sales of $195.8 million in 1998, while ready-to-drink coffee is considered to be an underdeveloped market that will depend upon an increase in consumer exposure to coffee for its growth potential. The group of other non-alcoholic beverages, including ready-to-drink teas, captured 27.2% of total market value sales in 1998, on sales of 110.7 million litres and $326.1 million. Functional drinks, such as sports and energy drinks, and soft drinks containing Chinese medicinal or herbal ingredients, accounted for sales valued at $109.3 million and 19.1 million litres in 1998. The growing popularity of fitness centres, along with increasing numbers of people partaking in sporting activities, have led to growth in the functional drinks subsector.

Processed Foods

Canned Foods

Levels of trade in canned food products through Hong Kong have been falling since 1993, due to the fact that many manufacturers have set up operations in China,

resulting in declining re-export levels to China. However, mainland China continues to be the destination for the majority of canned food products re-exported from Hong Kong, absorbing more than 65% of canned fruits and vegetables in recent years.

Local demand for canned food products, however, has increased steadily throughout the last decade, with the exception of stagnation experienced during the 1997-1998 Asian economic crisis. Aside from that brief period, demand for canned food has increased at an annual average growth rate of 10% to 12% in recent years.

Confectionery

Consumer attitudes toward the health effects of confectionery items are affecting retail sales in this sector. The availability of healthier snacks has drawn purchases away from the chocolate confectionery sector. Chocolate confectionery volume decreased steadily from 5018 tonnes in 1994 to 4629 tonnes in 1998, although value sales continued to increase before falling by 0.8% in 1998 to $86.1 million. Manufacturers increasingly resorted to conducting sales promotions in an attempt to absorb the drop in consumption. In 1999, chocolate imports increased due lower chocolate prices, import volume increased by 14%, and import value increased by 6% from 1998. Chocolate imports continued to expand in the first five months of 2000.

Sales of sugar confectionery grew at a steady rate from 1994 through 1998, totalling $123.3 million in 1998, with volume sales reaching 3744.8 tonnes.

Chewing gum products are well-established in Hong Kong, and possess a large consumer base. While health education has led to higher awareness of dental health, the introduction of more sugar-free chewing gums has resulted in higher volume sales in the subsector. Sugar-free gum has become so successful, in fact, that it is on the verge of overtaking volume sales of regular sugar gum, which experienced a steady decline in sales through the last five years, declining 9.1% in volume sales, to 309 tonnes in 1998, valued at $6.8 million. Sugar-free gum sales totalled 253 tonnes in 1998, with a value of $8.6 million.

Health Foods

Many Hong Kong consumers are tending to healthier lifestyles. There is a growing market for foods that are perceived as healthy and nutritious. Unfortunately, due to the lack of definitions of "health food", it is difficult to estimate the size of the market. Western health and functional foods, like fish oils, vitamins and ginseng capsules are increasingly popular among consumers due to the aggressive promotional efforts of importers. Natural health and botanic products that require intimate sales services are continuing to sell through direct and multilevel marketing.

Health foods are found in a range of outlets, and are mostly distributed via regular packaged food channels. They are found in westernized grocery stores, among both the regular selection of foods and in separate sections; separate sections of drug stores; and small, specialized "health food" stores. In order to appeal to Hong Kong consumers, health food products should be competitively priced; be eye-catching; and highlight health advantages, especially when shelved alongside regular grocery items. Slimming, beautifying, and hair-growing products are particularly popular in Hong Kong.

Cooking Oil

Hong Kong is dependent upon the import of edible oils to supply local consumer demand, which amounted to approximately 480 000 tonnes in 1999. Cooking oil is normally imported in bulk. It is then blended and packed in small containers for distribution to both retail and hospitality and restaurant industry. Corn oil and peanut oil are the most significant oils in demand in the retail sector, while rapeseed oil mix[3] is the preferred purchase in the food service sector. Olive oil is not in as high demand as some other oils, as it is used for cooking western cuisine, but not for the preparation of Chinese dishes. There is a significant re-export trade of cooking oil to China.

Food Processing and Packaging

Hong Kong's food processing and beverage industry has developed simultaneously to the development of the westernization and prosperity of the territory itself. The food and beverage industry is ranked fourth among Hong Kong's manufacturing industries in terms of gross output. Gross production of the food and beverage industry reached $3.5 billion in 1998.

Biotechnology and Genetically Modified Organism Issues

Hong Kong does not have any commercial production of genetically modified (GM) corps or livestock to date. However, since Hong Kong relies on imported foods and Greenpeace is actively campaigning against GM foods, Hong Kong consumers are increasingly concerned about GM ingredients in their food. As such, the Hong Kong government established a consultative committee in July 2000 that is comprised of representatives from the food and beverage industry, food wholesalers and retailers, and consumer and pressure groups, to discuss a labelling regulation for GM food products. Currently, the preference is for a voluntarily labelling system that is similar to the proposed Canadian model.

[3] To supply the food service sector with the quantity of oil it demands, rapeseed oil is often mixed with other oils, such as corn, peanut or sunflower oil.

Although the Hong Kong Government intends to wait for an international agreement on handling GM foods, the Hong Kong food and beverage industry is urging for an early solution to protect their export markets in European Community and Japan. The industry is requesting the government to establish a standard of "GM free" labels that correspond with the current requirements of these markets. In addition, the Hong Kong supermarket chains, in particular PARKnSHOP, are also requesting a similar label standard for Hong Kong. Therefore, there is a good market potential for GM free food products with corresponding labels.

Post-ASIAN Financial Crisis

The Asian financial crisis of 1997-98 had a negative impact on foreign, including Canadian, trade performance and opportunities in the region. The crisis resulted in an increase in the relative cost of consumer goods imported from Canada, when compared with Asian countries such as Thailand, South Korea, Indonesia and Malaysia, which suffered from a substantial devaluation of their currency. Consequently, there was a decrease in the demand for Canadian imports. However, most Asia-Pacific economies were beginning to recuperate by early 1999. As the economies began to turn around and as exchange rates started to strengthen, the competitiveness of imported Canadian products also began to improve.

The Hong Kong economy started to pick up in the last quarter of 1999. It turned out a strong performance in the first quarter of 2000, as GDP rose 14.3% in real terms over the same period last year. Led by China's strong trade performance and fuelled by Hong Kong's recharged domestic consumer spending, the Hong Kong economy is expected to improve significantly in 2000, as the Asian economies continue to recover.

Key Factors Shaping Market Growth

Since the mid-1990s, the Hong Kong government has enforced higher hygiene standards in both the regulatory environment and the food production chain. However, a number of health scares in recent years have undermined public faith in the hygiene standard of Hong Kong food production. Scares ranged from the worldwide concern about mad cow disease, to purely local concerns about the December 1997 avian flu outbreak (the government ordered the destruction of Hong Kong's entire poultry stock), and various reports of pesticide residue found in vegetables which had been imported from China. These scares compelled the Hong Kong government to adopt a more stringent control of the food chain and created requirements for "safer food". As in other countries, consumers are turning to supermarkets for the apparently more sterile forms of prepackaged meats and vegetables.

Although the Hong Kong government has attempted to relocate former street market stalls to multi-storey market blocks intended for wet market use, the poor conditions of these markets, in particular lack of air-conditioning, have turned consumers to the more

comfortable western-style supermarkets. As supermarkets continue to expand the variety of their fresh provisions and adopt the business practices of wet markets, such as reducing prices as closing time nears, the trend towards the expansion of the supermarkets at the expense of the traditional wet markets seems destined to continue. Consequently, this will likely lead to a consolidation in the food distribution industry, and result in more direct relationships between the food suppliers and retailers.

China's Accession to the World Trade Organization

Hong Kong was a founding member of the World Trade Organization (WTO), thus there is no legislation or practice in place that restricts access to Hong Kong markets by foreign exporters, or that mandates preference for locally manufactured products. While China is in the final stages of negotiations to be granted membership within the global trade organization, Hong Kong is a separate member of the WTO (as a Customs Union) and will keep its separate status after China joins the World Trade Organization (WTO).

In its WTO accession negotiations, China has made a number of trade-related commitments to WTO members that will begin to take effect on accession. These include tariff concessions as well as commitments to apply WTO rules relating to subsidies, standards and technical regulations, intellectual property protection, import licensing, trade-related investment measures and sanitary and phytosanitary (SPS) measures. China will also be bound by fundamental WTO principles that will require the country to provide uniform administration, strengthen commercial legal procedures, and improve transparency.

China's WTO commitments should help to reduce the risk of doing business in China and encourage increased trade and investment flows. However, market access commitments, such as tariffs and TRQ volumes, will be phased in over time. In the case of lower tariff rates, most reductions will be phased in over five equal, annual increments from the date of accession.

China negotiated a number of tariff rate concessions in its bilateral WTO agreements with member countries. The most favourable concession for any item will apply to all member countries once China joins the WTO.

On November 26, 1999, Canada and China concluded a bilateral agreement providing for improved market access for a range of goods and services. Through the course of the negotiations, a separate understanding was reached between the Canadian Food Inspection Agency (CFIA) and China's State Administration for Entry-Exit Inspection and Quarantine on long-standing Canadian concerns about Chinese SPS rules affecting Canadian exports of beef, pork and seed potatoes.

Due to Hong Kong's current membership in the WTO, China's accession to the international organization will not have a significant impact on consumption trends in the Hong Kong market directly. However, the easing of import regulations, a more transparent customs regime, and gradual improvements in air cargo, storage and logistical facilities for handling fresh or live food products will eventually reduce the amount of food and beverage products directed through Hong Kong toward the larger Chinese market. Products with lower import tariff rates are increasingly being shipped directly to China: a trend that is expected to become more pronounced in the near future, though it will not eliminate the re-export market that currently exists. For the time being, though, Hong Kong's import, storage, and distribution infrastructure are far advanced over those found in mainland China.

Opportunities

There is significant market potential in the Hong Kong and Chinese market for Canadian poultry producers that are willing to adapt to the market. Expanding the product range available (e.g. supplying mid-joint chicken wings, as well as the current whole wings), establishing direct sales networks, stabilizing quality during peak seasons, moderating prices, and/or committing to long-term business relationships will each significantly improve Canadian poultry producers' positions within the Hong Kong markets. Select opportunities also exist for value-added poultry products in the small, but developing, market. While there is no market for TV dinners, limited markets do exist for frozen nuggets, deli products, chicken strips, spicy wings and chicken wieners.

Opportunities for Canadian seafood producers include geoduck clams, crab (large and snow crab varieties), farmed Atlantic salmon, mussels, oysters (particularly jumbo Pacific oysters), lobster, high-value fish fillets, and flat fish. Due to the higher freight charges for shipping products from Canada to Hong Kong, Canadian products are frequently higher-priced than local stock. However, there are market opportunities for non-traditional and novelty seafood products that can command higher price, such as giant razor clam, whelk, and sea cucumber meat.

There are approximately 280 000 business establishments and 2.3 million working people in Hong Kong. While most establishments provide basic necessities, like water, to their employees, it is also a common practice for workers to buy, jointly or individually, from office suppliers of provisions. Aqua Pure Distilled Water Co. Ltd., one of the major bottled water purveyors in Hong Kong, is one company that targets this market. In addition to water, the company also carries dry grocery items like coffee, creamer and snacks. The company is considering expanding its product offerings, and would be interested in further dry items, preferably with brand awareness at the consumer level, that can be included with their current mode of delivery.

Private-label brands across the entire non-alcoholic beverage market are still in the initial stages of development, and may offer good opportunities for Canadian exporters that can produce low-cost, good-quality products.

Canadian microbreweries and craft breweries might investigate joint venture possibilities with The Macau Brewing Company Ltd. (distributed by Alman Beer and Beverage Co. Ltd.) as a way to access the market. Foodstar Trading Hong Kong Company Limited, the Hong Kong distributor of Unibroue beer, may also be considered for a venture of this nature. There is niche demand for microbrew and craft beers, which contain fewer preservatives than major imported brands, however the development of niche beer markets will require significant promotional support to provide market stability.

There is also a small but steady demand for ice wine, especially in the duty-free market.

In the health food market, good market potential exists for beautifying, slimming, and hair-growing products, as well as a very limited niche retail market for products catering to consumers with dietary restrictions. There is also limited demand for organic products, but future food safety concerns could provide substantial growth in this potential market.

Margarine, soups, peanut butter and other food preparations are in demand in Hong Kong. As the Hong Kong market matures, and greater emphasis is placed on convenience, the market for prepared dishes has good potential in the long term. The prominent expatriate population and many Hong Kong residents who have lived in the west are potential consumers of prepared western foods. The market for single-serving convenience pack sauces, butter and jam is also growing, along with the growth of fast food chains.

The chocolate confectionary industry is expected to begin to recover at current low price levels, while the popularity of the sugar confectionary could result in increased sales with the introduction of innovative products. The health consciousness of consumers is expected to lead to purchases of chewing gum products that are low in sugar, or that contain herbal ingredients.

Actual and Planned Projects

Plans for the construction of a Disney theme park in Hong Kong, scheduled for completion by 2005, may create demand for North American foods.

The August 1999opening of the Sheung Shui Slaughterhouse, the largest slaughtering facility in Hong Kong, marked the industry transition to a central slaughterhouse. Sheung Shui Slaughterhouse currently processes approximately 4 500 swine a day, two thirds of Hong Kong's daily consumption. It is planned that the slaughterhouse will

eventually be responsible for all swine meat (approximately 6 000 pigs daily) consumed in Hong Kong when the Tsuen Wan Slaughterhouse ceases operation in a few years' time. Although the Ng Fung Hong-controlled Sheung Shui Slaughterhouse enjoys a monopoly in supplying hot pork meat to the domestic market, Hong Kong importers are looking for an alternative supplier to take advantage of this controlled market. There is good market potential for Canadian pork suppliers to export chilled pork meat to Hong Kong.

PARKnSHOP, Hong Kong's largest supermarket chain, is going to open two major superstores in the second half of 2000. This is part of a continuous effort of the chain to upgrade their stores to the western standard. As the chain has planned to expand its current 34 superstores to 36 or more by the end of 2001, PARKnSHOP will require a larger variety of deli meat, frozen prepared meals, and retail packaged processed food products to supply their expanding fresh and frozen provision counters.

Watson's the Chemist, one of Asia's largest personal care chains, is reinventing its Hong Kong operation by adopting a youthful image and opening more stores. The chain intends to expand its current 113 stores to 120 by the end of 2000. As Hong Kong consumers are tending toward healthier lifestyles, the chain will further extend its lines of health foods, including healthy and beautifying dietary foods, nutraceuticals, and herbal-based products.

With the development and growing popularity of the Internet in the past two years, Hong Kong food logistics and trading companies are moving toward e-commerce. Seapower Resources International Ltd. will provide its full e-fulfilment services on www.ipowerB2B.com by the end of this year and Dah Chong Hong, Ltd is also working on B2B (business-to-business) food trading portal. These new services will bring a new dimension to Hong Kong's food trading business.

COMPETITIVE ENVIRONMENT

Local Capabilities

Hong Kong's limited local food production enables it to maintain some degree of self-sufficiency and helps stabilize the price and supply of fresh produce. Local farmers and fishermen produce about 14% of fresh vegetables, 10% of live poultry, 16% of live pigs, 11% of freshwater fish, and 75% of all live and fresh marine fish consumed. However, limited space and rising production, labour, and land costs have resulted in many Hong Kong companies, including food manufacturers, relocating the majority of their manufacturing to China, mainly Guangdong province. This has affected the local manufacturing capabilities of Hong Kong, but has also potentially created a stronger level of competition for imported products, both in Hong Kong and the rest of China.

Fish and Seafood

The fish and seafood industry is an important component of Hong Kong's food sector. In 1999, Hong Kong fishermen caught 120 228 tonnes of marine fish and 7 552 tonnes of shellfish. The aquaculture industry produced 1 250 tonnes of marine fish, 4 500 tonnes of pond fish, and 57 tonnes of oyster. While Hong Kong's consumption far exceeds the local production, it is a significant market for imported seafood products, in particular for crustaceans, mollusks, and aquatic invertebrates. Fish and seafood is the highest value food category in Hong Kong.

Alcoholic Beverages

There are two major local breweries, San Miguel and Carlsberg, and one micro-brewery, South China Brewing in Hong Kong, which supply over one-third of the local demand. The decline of the local breweries began in late 1994 with the reduction of the import tariff for beer. As a result, the market for imported beer grew rapidly, substantially undermining the advantageous position of local beer. In response, local breweries have started to subcontract for foreign brand names and moved their production to China where they enjoy lower production costs.

Non-Alcoholic Beverages

In the non-alcoholic beverages market, Swire Coca-Cola Hong Kong Ltd. is the dominant company, with 32.4% of market share in 1998. Swire Coca-Cola is involved not only in the carbonated beverage market, where it enjoyed a 49% market share in 1998, but also in the juice market (11.1%) and other soft drink markets (16.7%).

The closest competition for Swire Coca-Cola comes from AS Watson & Co. Ltd., which owns the franchise rights of PepsiCo in Hong Kong, and held 24.5% market share in 1998 of the non-alcoholic beverages market. (Pepsi Pacific Trading Co Ltd., the Asian subsidiary of Pepsi Inc., is located in Hong Kong, but only handles mainland China retail business.) AS Watson & Co. owns United Soft Drinks, which is directly responsible for the manufacture, bottling, marketing and distribution of Pepsi and other internationally known brands through its extensive retail network. AS Watson & Co. dominated the bottled water market in 1998, with 66.9% market share (Watson's, Perrier, and Pierval Natural brands), while also active in the juice (3.6%) and other soft drinks (9.8%) markets.

Processed Foods

In 1999, there were 640 food manufacturing establishments in Hong Kong, producing a gross output of $2.7 billion. Products of the industry include spaghetti, biscuits, instant noodles, pastries and cakes, dairy products, prepared and preserved meat, Chinese dim-sum, oils and fats, sauces, condiments and mixed seasonings.

Food Processing and Packaging

The local food and beverage processing industry is highly developed, and is among the most competitive in the world. The Hong Kong government has actively funded the development of the food-manufacturing industry for years, including the promotion of food-related research, and allocating resources to educational courses in food science and technology. The government's goal has always been to maintain Hong Kong's place as one of the global leaders in all aspects of food processing, as far as its limited size will allow. However, in order to secure that objective, the industry will be dependent upon the importation of advanced food-processing and -packaging machinery.

International Competition

Hong Kong's total agricultural and agri-food imports have declined annually since the 1997 Asian economic turmoil. Total agri-food imports declined from $15.5 billion in 1997, to $13.1 billion in 1999. Much of this difference may be accorded to reduced import of non-necessity and luxurious food products, relatively lower prices of agricultural and agri-food products from neighbouring Asian countries, and increased food exports directly to China, bypassing Hong Kong. China is the largest food supplier to Hong Kong, responsible for about 21.5% of Hong Kong's imported food market.

Many multinational food manufacturers have a strong presence in Hong Kong, allowing these companies to reduce product costs through the reduction of transportation costs for finished products. While these production facilities were also used to provide access to markets of China and much of the rest of southeast Asia, several companies have moved production onto mainland China, in an attempt to further reduce production, labour and transportation costs.

Table 2. Hong Kong Total Imports of Agri-food Products, 1997-1999 ($ millions)

HS	Description	1997	1998	1999
1	Live animals	645.05	679.86	683.10
2	Meat	2045.59	2169.13	2192.12
3	Fish and seafood	2628.26	2175.06	2144.67
4	Dairy, eggs, honey, etc.	915.58	854.63	771.55
5	Other of animal origin	121.80	89.46	90.99
6	Live trees and plants	54.76	48.61	60.58
7, 14	Vegetables	491.74	493.20	509.05
8	Edible fruit and nuts	1547.58	1532.20	1404.30
9	Spices, coffee and tea	147.84	135.01	130.16
10, 11	Cereals & cereal preparations	526.94	478.87	434.55
12	Miscellaneous grain, seed, fruit	520.29	435.12	401.71
13	Lac; vegetable sap, extract	49.47	50.17	40.73
15	Animal, vegetable fats and oils	1431.59	1653.79	568.74
16	Prepared meat, fish, etc.	527.53	456.38	442.44
17	Sugars	452.15	392.75	321.12
18	Cocoa	145.89	114.32	107.64
19	Baking related	404.79	379.80	396.07
20	Preserved food	396.52	354.91	315.66
21	Miscellaneous food	786.14	660.32	691.92
22	Beverages	1569.87	1301.31	1292.02
23	Animal feed	125.92	106.75	109.67
	TOTAL	**15535.34**	**14561.63**	**13 108.84**

Source: *World Trade Atlas*, Global Trade Information Services, Inc., August 2000.

Grains and Oilseeds

Rice is the largest single cereal import into Hong Kong. Thailand is the leading supplier, with rice exports to Hong Kong of 261 000 tonnes, totalling $183.1 million in 1999, for more than 75% of the market value. There are very small requirements for wheat, and the majority of wheat-flour production has already been shifted into China. Wheat for local flour mills comes from the United States, Canada and Australia. With the proliferation of western-style fast-food outlets and a lack of local milling facilities, flour is an important import. China surpassed Japan in 1998 as the largest supplier of wheat flour to Hong Kong. In 1999, China enjoyed a 48% share of Hong Kong's 170 928

tonne wheat flour market. Increasing consumption and demand for better-quality wheat-based products provides market opportunities for Canadian products. Maize and other unmilled cereals are used principally for animal feed, and are imported in substantial quantities.

Meats

While China is the leading supplier of meat to Hong Kong, the United States is the next strongest competitor for fresh, frozen, prepared, canned and preserved meat. Australia and New Zealand are also active in the fresh and frozen meat trade. South American countries (Brazil, Argentina) supply large volumes of low-cost beef and pork cuts and offal, due to low production costs and adaption to local requirements.

Hong Kong imported 42 900 tonnes of frozen beef cuts in 1999, valued at $181.1 million. However, more than 75% of the import market, in volume terms, was relatively evenly dominated by Brazil (27.0%), China (26.4%), and the United States (25.2%). While each of these countries increased exports to Hong Kong from previous years, Brazil significantly increased its share of the import market, at the expense of Australia and New Zealand, from just 8.4% two years earlier. Of these suppliers, frozen beef exports from the United States cost the most, at an average price of $6.03 per kilogram in 1999. The cost of Brazilian exports averaged $3.37 per kilogram, while Chinese goods were priced at just $2.84 per kilogram. The higher costs associated with U.S. beef sales resulted in frozen beef exports totalling $65.3 million, while Brazil's exports totalled $39 million, and China's exports were valued at $32.3 million.

Imports of fresh or chilled beef were significantly less than frozen beef imports, reaching $28.1 million for 2546 tonnes. Australia supplied nearly half the total volume of imports, for a value of $10.4 million. While U.S. imports were valued at $7.5 million, it supplied approximately one third the level of Australian imports, with 378 tonnes of the popular meat. The average import price of U.S. beef was $19.92 per kilogram, while the average cost of Australian beef was only $8.39 a kilogram.

Hong Kong imported $264.3 million of fresh and frozen pork meat in 1999, which was a 15.4% decline from the previous year's imports. Frozen cuts of boneless pork accounted for the majority of imports of swine meat in 1999, with the total reaching $214.4 million on 112 400 tonnes of meat. China provided more than 32 700 tonnes ($89.1 million) for the Hong Kong market. Although quantity imports of Brazilian pork in 1999 remained the same as 1998, the value declined to $78.4 million due to a 30% drop in price. Hong Kong also increased pork imports from Europe in 1999 to take advantage of the lower pork price there.

Poultry imports in 1999 totalled $1.35 billion, of which $1.15 billion came from cuts and offal of frozen chicken. The leading supplier of poultry products has consistently been the United States, with imports from that country totalling $807.1 million in 1999, which

was a 15% increase over the previous year's imports. With the collapse of the Russian market in 1997-1998, the United States redirected many of its exports toward Hong Kong and China. That trend is still continuing, as U.S. poultry products flood the Hong Kong market. Due to the over-abundance of low cost poultry products from the U.S., it continues to dominate the Hong Kong and China frozen poultry market It was estimated by one poultry trader in China that more than 70% of the poultry imported into Hong Kong was re-exported through various channels.

Brazil and China were the second- and third-largest suppliers of poultry products to Hong Kong in 1999, with $141.7 million and $101.6 million, respectively. While the most popular U.S. products are chicken parts, such as mid-joint wings, legs, feet, and breasts, Brazil is very competitive with its three-joint wings and small whole chickens. China leads the market in whole birds, particularly ducks and geese.

Fish and Seafood

The Hong Kong market relies upon imports of fish and seafood products to satisfy market demand. In 1999, total imports of fish and seafood amounted to $2.1 billion, which was a decline of 18.4% from 1997 totals. Imports of live fish in 1997 were valued at $381.4 million, although that value fell to $266.7 million in 1999. China supplies approximately one third of those imports annually, with Thailand, Indonesia and Taiwan also supplying significant amounts annually.

Non-fillet fresh fish imports (HS 0302) in 1999, more than half of which were composed of Atlantic and Pacific salmon, climbed from $77.7 million (4100 tonnes) in 1998 to $85.5 million (5400 tonnes). Norway has dominated the import market for the past three years. China supplied roughly one quarter of the total imported fresh fish in the three-year period.

Imports of crustaceans represented more than one quarter of total fish and seafood imports in 1999, totalling $563.6 million. Australia accounted for $145.1 million of that total, largely with exports of spiny lobsters. Fresh and frozen prawns comprised the greatest amount of crustacean imports for the 1997-1999 period, although total imports of the commodity have annually decreased. In 1999, among Hong Kong's largest imports of crustaceans were 28 500 tonnes ($249.1 million) of prawns, followed by 5300 tonnes ($136.8 million) of sea crawfish, 4500 tonnes ($126.0 million) of lobster, and 7700 tonnes ($40.4 million) of crab. China, Australia, and Japan were the largest seafood product suppliers to Hong Kong that year.

Alcoholic Beverages

International competition in the Hong Kong beer market is fierce, as consumers have displayed a lack of brand loyalty. Alcohol imports as a whole have also fallen for three consecutive years. Totals of beer imports declined from $266.1 million in 1997 to

$167.7 million in 1999, for a decline of 37%. Wine imports fell 54.6% during that period, to $86.7 million in 1999. Imports of spirits have also declined by 30.4% since 1997, totalling $383.7 million in 1999. This was largely due to increased production of alcoholic beverages in China, which resulted in a smaller requirement for imported beer and wine.

The Netherlands captured 45.8% of the imported beer market in 1999, with a value of $76.8 million on 43 million litres of imports, led by its flagship beer, Heineken. Heineken has experienced such success in the Hong Kong market that analysts believe that it has been responsible for the decline in sales of Löwenbrau and Kirin brand beers. Heineken Far East Trading Ltd. (Heineken NV) employed Guinness HK Ltd. as the sole distributor of Heineken brand beer, while maintaining the marketing rights. The strategy has been a success for Heineken, as it enjoyed a 5.3% market share by volume in 1998.

Table 3. Leading Manufacturer Shares of Beer Sales by Volume (%), 1997-1998

Manufacturer	Leading Brands	1997	1998
San Miguel Brewery HK Ltd.	Pale Pilsner, Super Dry, Löwenbrau	24.7	24.9
Jensen Trading Ltd.	Blue Girl	11.5	11.6
Carlsberg Brewery HK Ltd.	Carlsberg	11.2	11.1
Guinness HK Ltd.	Guinness, Heineken	9.4	9.5
Tsing tao Brewery HK Ltd.	Tsing tao	6.9	6.9
Solar Max Ltd.	Boddingtons	2.8	2.8
Thomas Caffrey Brewing Co.	Caffrey's	2.3	2.3
Asahi Breweries Ltd.	Asahi	1.2	1.2
Foster's Brewing Group Ltd.	Foster's	1.2	1.0

Source: Euromonitor, *The Market for Alcoholic Drinks in Hong Kong*, May 1999.

Löwenbrau is bottled by San Miguel (Hong Kong) under a licensing agreement.

The wine market is very competitive, as major European, Australian, United States and other producers (i.e. Chile and South Africa) have devoted major resources to win market share. France was the leading supplier of wines to Hong Kong in 1999, gaining 52.1% of the import market with exports $45.2 million, however, that was just a fraction of the $128.1 million exported just two years earlier. Australia exported $10.6 million in 1999, while the United Kingdom and the United States followed with $8.6 million and $8 million in wine exports, respectively.

France led all suppliers of alcoholic spirits to Hong Kong, exporting $288.6 million in 1999, although nearly all of it was to the grape brandy market, which it dominated. The United Kingdom, which was second in suppliers of spirits to Hong Kong, exported $45.2 million in 1999, with over $41.1 million coming through whiskey sales. Both countries have seen their exports of these products to Hong Kong decline in since 1997. This trend has been due to a smaller requirement from China, as Chinese consumers have turned to locally made Chinese spirits, and reduced consumption of expensive and hard alcohol during recent economic turmoil.

Non-alcoholic Beverages

Hong Kong imported $34 million of fruit juice in 1999, with unfrozen orange and apple juice comprising the most significant portions of imports, at $6.1 million and $5.1 million, respectively.

France's Danone Groupe is a strong competitor in the bottled water market, behind Watson & Co., with its Evian and Volvic brands of water. These two brands earned a total of 18.0% market share in 1998, while imports of bottled water from France that year totalled $67.1 million. Imports of water from France declined from $15.7 million in 1997 to $6.7 million in 1999. The decline was largely the result of recent economic turmoil that also resulted in a decrease in both import quantity and average price.

Processed Foods

Canned Foods

The most popular canned food product at retail outlets is canned soup from the U.S.. Campbell dominates the soup market with heavy advertising and aggressive marketing, and Swanson is the dominated supplier of canned chicken broth. Heinz started selling its canned soup products recently, but has a limited presence in the market.

China remains the biggest supplier of canned oriental flavour food products to Hong Kong, and competition is keen among Chinese suppliers. South Africa, Australia, and Thailand are also very active in the canned seafood market, particularly in abalone, cuttlefish, and clams.

Confectionery

Hong Kong imported more than $400 million of sugar confections, chocolates and potato chips in 1998, reflecting a 26% drop from the previous year.

The gum subsector is has been dominated by imported multinational brands for several years, and continues to be dominated by these companies. In 1998, 77% of the gum market was held by just four supplying companies: The Wrigley Co. Ltd. (28.5%),

Warner-Lambert Co. (26.1%), RJR Nabisco Inc. (11.5%), and Lotte Confectionery Co. Ltd. (10.9%). Four other companies captured another 12% of the market share, meaning that nearly 90% of the chewing gum market in Hong Kong in 1998 was represented by eight companies, creating a significant barrier to entry for new competition. In addition, smaller brands are frequently unable to negotiate shelf space with large retailers due to the high slotting fees charged at those distribution outlets, further securing the market dominance of larger brands.

Health Foods

The market is expanding quickly, and suppliers are aggressively marketing their products with generous promotion budgets. Strong contenders in the market include Japan, the U.S., Australia, and China. According to a recent survey by Lingnan University of Hong Kong, Japanese health food products are perceived by Hong Kong consumers as the most trustworthy products due to the consumers' established trust in Japanese technology.

Cooking Oils

Imports of cooking oils to Hong Kong are largely for re-export to China, and are typically highly price sensitive. European suppliers (i.e., Netherlands and Germany) shared 15% of the 152 000 metric tons canola oil market in the first 5 months of 2000.

Food Processing and Packaging

Hong Kong re-exports approximately one third of its total imports of food processing and packaging equipment to mainland China. While some of those re-exports are being sold to food and beverage producers in mainland China, other quantities of machinery are also being redistributed to Hong Kong companies that have moved their manufacturing facilities to the mainland.

Many multinational food companies have established wholly owned or joint venture food manufacturing or processing facilities in Hong Kong. While these companies import domestic technologies to Hong Kong, they also help improve the standards of the Hong Kong processed food market.

Approximately 21% of food-processing machinery imports were sourced from the United States in 1997.[4] Japan exporters accounted for 16% of imports by Hong Kong that year, while the rest of China provided 8% of the total. While European machinery manufacturers from Italy, Germany and the United Kingdom provide good-quality products with good before- and after-sale service, equipment from those countries is

[4] These were the most recent figures available at time of publishing.

typically highly priced. However, operating in niche markets (Italy in dairy products, Germany in beer brewing) has allowed these countries to establish their products as essential to the operation and growth of the Hong Kong food and beverage processing sector.

Canadian Position

Total Canadian exports of food and beverage products totalled $147.9 million in 1999.[5] Animal and vegetable fats and oils, and ginseng exports each accounted for more than 25% of the total, both of which were valued at $38 million. Other significant exports included meat and meat products (15.1%), bulk grains (10.8%), and oilseeds (6.9%). Assorted beverages combined to contribute 1.3% of the total.

Export potential for Canadian companies is enhanced when prices are competitive and quality is consistent. Speed of product delivery is also important for Canadian companies to gain market share. The success of specific food products, nevertheless, depends on a number of factors, including seasonal appeals, compatibility with local tastes, effective strategies in sales and marketing, and nutritional value.

Grains and Oilseeds

Barley exports comprised the majority of Canadian grain exports to Hong Kong in 1999, rising from $10.5 million in 1998 to $15.4 million. Canada also exported $2.5 million of wheat flour to Hong Kong in 1999. Soybean exports accounted for the majority Canadian oilseed exports, totalling $10.1 million in 1999, which was down $3.4 million from 1997 exports due to a drop in soya bean price.

Meats

The establishment of the Canada Beef Export Federation's Hong Kong Office in 1995 has greatly assisted beef exports to Hong Kong. Growth in the sales of beef should remain strong in the long term, with consistent and well-planned marketing efforts and supplies.

In 1999, Canada supplied $2.4 million in frozen beef to Hong Kong (496 tonnes), representing just 1.3% of the import market for that commodity. In comparison to average prices of frozen beef from other top 10 supplying countries, Canada's cost of $4.86 per kilogram was near average. Canadian supplies of fresh and chilled beef totalled $879 000 for exports of 61 tonnes of beef, nearly all of which were boneless cuts.

[5] Calculated using HS codes 1-23

Pork exports from Canada in 1999 amounted to $8.7 million, which surpassed 1997 totals. However, this was a significant decline from the $14.3 million exported in 1998, due to the substantial drop in pork price in 1999.

Canada exported $38.8 million in poultry meat and offal to Hong Kong in 1999, for a 2.9% share of the poultry import market, though approximately 81% of Canadian supplies are typically re-exported to China. Canadian poultry products are well-regarded in Hong Kong, and frequently receive premiums over lower-quality exports from leading supplying countries.

Fish and Seafood

Hong Kong is Canada's fourth-largest seafood export market, to which Canada exported fish and seafood valued at $73.1 million in 1999, for a 3.8% market share. Canada's most significant exports were more than 1879 tonnes of West coast geoduck clams valued at $49.1 million, and 435 tonnes of East coast lobster with a value of $7.5 million. Exports of salmon in 1999 fell to $303,000 (32 tonnes) from $3.5 million (382 tonnes) in 1997. Despite that fact, Canada was still the second-largest exporter of salmon to Hong Kong in 1999. As Norway's exports of salmon increased by more than $5 million from 1997 to 1998, and further increased by $10 million in 1999, there should be significant room for Canadian Atlantic farmed salmon exporters to increase sales to Hong Kong.

Canadian exports of fish and seafood products suffered due to the Asian economic crisis, as consumers switched away from higher-priced imported goods, such as Canadian geoduck clams, to more affordable substitutions, such as cultured geoduck clams from the United States, or giant razor clams from Scotland. While geoduck clams from the United States are considered by consumers to be inferior because they are smaller and darker, Canadian producers will have to work to re-establish their consumer base. As Hong Kong is the destination for nearly 90% of Canadian geoduck exports, and at least one third of that total is re-exported to China, this is a significant market for the Canadian geoduck industry.

In order for Canadian fisheries to establish a place in the market, these companies will have to identify a niche or product that will be able to pull substantial sales away from competing countries and companies in the highly competitive Hong Kong fish and seafood market. Certain Canadian products, such as Canadian crab (particularly Dungeness crab), are popular in Chinese seafood restaurants. Snow crab and King crab are also popular, and are always in high demand in Japanese restaurants in Hong Kong.

In addition, fisheries and seafood producers in Canada should be aware that some products, although not popular in many countries, may be subject to high demand from

consumers in Hong Kong. For example, salmon heads and oyster juice, which are often seen by Canadians as undesirable, are popular in Hong Kong.

Alcoholic Beverages

Distributed by a local importer with strong promotional support, Moosehead and Unibroue beer are widely available in Hong Kong bars and restaurants. In addition, Moosehead beer is also listed in Hong Kong's major supermarket chains. However, beer exports from Canada totalled just $69 000 in 1999, down from $194 000 in 1997. Although Hong Kong consumers may be receptive to Canadian beer if it is properly differentiated through aggressive marketing and good distribution, the beer market remains extremely competitive. Heavy consumer advertising and store/pub promotion are essential for Canadian beer producers to win market share.

Canadian exports of wine to Hong Kong totalled $254 000 in 1999, which was down from exports of $807 000 the previous year. The fall was a result of decreased wine re-exports to China.

Non-alcoholic Beverages

The Hong Kong market is receptive to new beverage products. However, to capture market share, producers need to build strong brand awareness, extensive market coverage and maintain high levels of market visibility for their products. Targeting on a niche market like health drinks with unique package design will provide a better chance of success. Canadian soy milk has been very successful in the Hong Kong supermarkets because of its fresh, non-soy taste, semi-transparent plastic bottles and consistent marketing support. The unique packing and established brand awareness have also helped the company to successfully launch another two Canadian-made Chinese traditional drinks — plum drink and chrysanthemum tea.

Processed Foods

Market opportunities for bakery products, including biscuits (specifically salty flavoured) and cookies in eye-catching packages are also promising. Hong Kong residents prefer oriental style crunchy, salty and spicy snacks. Brownish colouring is normally considered as burned, or at least as not good for health. Hong Kong consumers also generally have a less sweet taste for sugar confections. Bite-size hard candies with strong fruit or milk flavour are preferred. A well-planned marketing effort and eye-catching packages are essential in winning market shares.

Canada is a leading supplier of North American ginseng to Hong Kong. Due to a 24% drop in price, exports of ginseng root declined to $38.0 million in 1999 from $49.6 million the previous year despite a 1% increase in export quantity.

Food Processing and Packaging

Canadian food processing and packaging equipment have a limited presence in Hong Kong. In 1999, Canada exported 133 cooking appliances to Hong Kong for a value of $27 000. Hong Kong food manufacturers normally rely on their production consultants for the design and use of equipment in their plants. As such, Canadian exporters should foster closer relationships with those manufacturers by providing them with information concerning the benefits of using Canadian equipment, as a part of the marketing effort.

Competitive Advantage Through Canadian Government Policies and Initiatives

Agri-Food Trade Program

The Agri-Food Trade Program (AFTP) is a cost-shared contribution program designed to support Canadian agri-food industry activities in areas of market readiness, market access and market development. The objective of the AFTP is to increase sales of agriculture, food and beverage products in domestic and foreign markets.

The AFTP's priority is to encourage Canadian agri-food associations and alliances to develop and implement sectoral export market development strategies to improve global competitiveness.

For more information on this program and others offered by Agriculture and Agri-Food Canada, visit the following site: http://www.agr.ca/progser/.

Canadian Commercial Corporation[6]

The Canadian Commercial Corporation (CCC) gives Canadian companies access to financing and better payment terms under the Progress Payment Program (PPP). The PPP concept was developed as a partnership between major Canadian financial institutions and the CCC. It enables the exporter's bank to open a project line of credit for the exporter's benefit, based on CCC approval of the project and the exporter's ability to perform. The CCC will also act as a prime contractor on behalf of Canadian small and medium-sized enterprises, giving those businesses increased credibility and competitive advantage.

[6] For contact information regarding key organizations mentioned in this report, please refer to the **Key Contacts** section.

Export Development Corporation

Export Development Corporation (EDC) is Canada's official export credit agency, facilitating Canadian trade with over 200 world markets. EDC is a unique financial institution offering some of the most sophisticated trade finance solutions and skills. Since 1995, EDC has helped Canadian exporters do over $755 million worth of business in Hong Kong. EDC's financial services include credit insurance, performance security and contract bonding, political risk insurance, direct buyer loans and lines of credit. More specialized financial services include highly structured limited recourse financing options and long-term leasing arrangements.

Program for Export Market Development

The Program for Export Market Development (PEMD) helps Canadian companies enter new markets by sharing the costs of activities that companies normally could not or would not undertake alone, thereby reducing risks involved in entering a foreign market. Eligible costs and activities include market visits, trade fairs, incoming buyers, product testing for market certification, legal fees for international marketing agreements, transportation costs of offshore company trainees, product demonstration costs, promotional materials, and other costs necessary to execute a market development plan. Activity costs are shared on a pre-approved, 50/50 basis.

The PEMD refundable contribution ranges from $5,000 to a maximum of $50,000. Preference is given to companies with fewer than 100 employees for a firm in the manufacturing sector and 50 in the service industry, or with annual sales between $250,000 and $10 million. Other components of the program include international bid preparation (Capital Project Bidding) and, for trade associations, developing international marketing activities for their membership. For additional information visit http://www.infoexport.gc.ca/pemd-e.asp or call 1-888-811-1119.

WIN Exports

WIN Exports, a database of Canadian exporters and their capabilities, is used by trade commissioners around the world and by Team Canada Inc partners in Canada to match Canadian suppliers with foreign business leads, and to share information on trade events. To register your company in WIN Exports or for more information, visit http://www.infoexport.gc.ca/winexports/menu-e.asp or call 1-888-811-1119.

PRIVATE-SECTOR CUSTOMERS

Hong Kong's status as a free port means that imports can compete fairly with other international and domestic food suppliers, free of price increases due to import duties. As a result, consumers benefit from lower-priced imported food products. Imported

products will differ in cost according to transportation costs associated with bringing the goods to market, with China and Australia frequently holding the advantage. While price is an important factor in consumer purchasing decisions, product quality and packaging are also significant factors. Canadian exporters should pay attention to all three of these factors when considering preparations to export products to Hong Kong.

Consumers in Hong Kong are becoming increasingly health conscious, which is affecting purchase habits concerning everything from alcoholic and non-alcoholic beverages, through confectionery items and other processed foods. Beverage drinkers are purchasing grape wines instead of spirits, and are buying juices and bottled water with greater frequency. Demands for healthier snack foods are also increasing.

Generally, consumers perceive supermarkets to be the best place in which to purchase international foods, as well as packaged or processed foods. Independent grocery retailers rank second in terms of sales, but offer less selection than that found in supermarkets. However, there continues to be a strong demand for fresh produce available for daily purchase and use, for which consumers generally do not use supermarkets. Tradition and a preference for fresh food cause most Hong Kong householders to shop daily for vegetables, meat, poultry and fish. Most shopping is still done in neighbourhood streets or wet markets, comprising a major proportion of food purchases. For this reason, specialist fresh food retailers, such as butchers, fresh fish outlets, and wet market stalls, have maintained sales levels. In many cases, consumers do not have large refrigerators or freezers in their homes, which would be necessary to keep produce fresh in the hot climate found in Hong Kong. However, supermarket chains, such as PARKnSHOP and Wellcome, have expanded their fresh produce and meat departments in an attempt to compete with traditional wet markets.

Increased levels of consumer caution resulting from the Asian economic crisis have also caused consumers to realize they can get good-quality food products from private-label or store-brand products. Labels of major brands are no longer viewed as a guarantee of top quality. In fact, products that are not top of the range, but that are of above-average food quality and offer good value for money, are frequently winning the more discerning Hong Kong consumer. The trend toward demand for quality inexpensive food products is expected to result in the development of more private-label products in the Hong Kong retail food industry.

Expectations of better service from retailers are also developing among consumers. The service additions typically demanded include discounts to loyal customers, more responsive stock-keeping, and more attractive surroundings.

Spending and consumption patterns among the increasingly affluent younger generation are undergoing a transition. This can be seen in the greater emphasis on convenience and a growing appetite for western-style fast food.

Although family sizes may be large, the dollar amounts spent per shopping trip are usually small. Shoppers prefer to call in to supermarkets or wet markets frequently; daily visits are not unusual, with most families tending to visit retailers at least a few times each week. Car ownership in Hong Kong is low and most markets are therefore located close to where people live, while most residential estates have their "own" supermarket on the ground floor and thus frequent shopping is encouraged. However, consumers continue to buy delicatessen food from speciality stores that are normally located in downtown central malls.

The majority of Hong Kong residents live in small apartments, with limited kitchen space and relatively small refrigerators. As a result, giant-size "economy packs" are unlikely to appeal to Hong Kong consumers. Cooking is done on single or double-ring counter top stoves. Few Hong Kong homes have electric or gas ovens, although microwave ovens are common household items.

PUBLIC-SECTOR CUSTOMERS

Government Procurement Regulations

Public-sector procurement in Hong Kong is governed by the Stores and Procurement Regulations — under the Public Finance Ordinance — and complies with the WTO Agreement on Government Procurement. All government bureaus and departments are obliged to issue public tenders for product and service contracts worth more than $280,865 (US$188,500). For non-government public bodies, such as the Housing Authority, the Hospital Authority, the Airport Authority, the Mass Transit Railway Corporation and the Kowloon-Canton Railway Corporation, public tenders must be issued for product and service contracts valued above $864,000 (US$580,000), and construction service contracts valued above $10.8 million (US$7.2 million).

Most public tenders are issued on an open tender basis and are posted in the Government of Hong Kong Special Administrative Region Gazette. When appropriate, tenders are also advertised on the Internet, through local print media, and at foreign representative offices. Both domestic and foreign suppliers/contractors are welcome to submit a bid for an open tender. Canadian exporters may also wish to apply for inclusion on the relevant list of approved suppliers/contractors developed for selective tendering purposes. Information on how to apply for inclusion on lists of qualified suppliers/contractors is provided in the *Gazette*, or you can browse the Hong Kong government finance bureau website: http://www.info.gov.hk/fb/tender/tender.htm.

MARKET LOGISTICS

Channels of Distribution

Hong Kong has developed as a special port of entry into China, and continues to thrive in that specialty. As a result, its channels of distribution are well developed, and form a strong infrastructure for the import and export of global products. Importers or agents will typically mark up c.i.f. (cost, insurance, and freight) prices on food by 15 to 20%, with a net profit of between 8% and 12%. Supermarkets will usually mark up prices by 25% to 35% to pay for Hong Kong's higher rental cost.

Foreign food products are normally handled by importers who bring in shipments on their own accounts and then distribute, either directly or through wholesalers or dealers, to supermarkets, grocery stores, provision stores, hotels, restaurants, etc. Wholesalers and retailers sometimes purchase directly on their own accounts. Food handling normally dictates the channel of distribution; the less sophistication and complexity in handling, the more direct the route of distribution can be used. While precise statistics are not known, it is estimated that importers are responsible for 30% of imports into Hong Kong, wholesalers or distributors 35%, retailers (i.e.: supermarkets, etc.) 25%, and end-users (restaurants, hotels, etc.) 10%.

Direct Sales

In order to sell branded products directly to supermarkets, these outlets often require exclusive product retailing rights in Hong Kong through their outlets only. Producers may even find that listing fees will be waived in exchange for exclusivity. For non-branded items and products with large turnover, such as fruit, meat and vegetables, supermarkets tend to buy directly from overseas exporters to reduce costs.

Dealing directly with the major retailers may appear to offer a number of advantages, with regard to control over distribution and the fact that no commission needs to be paid to any marketing intermediary. On the other hand, due to the concentration of the food retail industry, the large retailers hold an extraordinary amount of bargaining power. As mentioned, they will likely demand exclusive distribution, promotion fees, and can be expected to negotiate hard on price, and other terms and conditions.

Distributors and Wholesalers

In an effort to keep prices low, supermarket chains have arranged different relationships with distributors. For most of the perishable and frozen products, supermarket chains may request distributors/wholesalers to deliver goods to individual stores. However, in most of the cases, the supermarket chains will require the goods to deliver to the supermarket chain's central distribution centre, from which the chains will

undertake distribution to their own stores. The supermarket will then charge the suppliers a delivering fee of 3-5% levied on the cost of the goods.

The majority of wholesalers seek stock from importers who provide them with special terms and credit facilities. Hotels, restaurants and other food establishments do not usually purchase directly from suppliers, but rather from importers or wholesalers on a contractual basis for a period of three to six months. Prices tend to be controlled by importers and the supply situation.

A member of the China Pacific Group, Kwong Tung Fat (Marketing) Ltd. is a 90-year-old company that specializes in distributing dry grocery items to institutional and food services outlets. Kwong Tung Fat distributes both branded (Smedley's, HP, Ovaltine, Carnation, Tabasco, Campbell's) and non-branded dry grocery products including coffee, ketchup, pepper sauce, and canned soup to food services outlet. Kwong Tung Fat is looking to expand its product line.

Retail

In 1999, there were more than 14 500 general grocery stores, 1300 supermarkets, and 1300 other food outlets in Hong Kong. In a territory as small as Hong Kong, the disbursement of stores means that its population is never far from a food retailer.

Supermarkets in Hong Kong achieved sales of $4.2 billion in 1999, which exceeded food sales at independent grocers by nearly $1.1 billion. These sales levels represented 37% and 28.1%, respectively, of total retail food sales in Hong Kong that year. While hypermarket sales have increased in recent years to capture more than 4.5% of the retail food market on sales of $556.8 million, sales in that sector are restricted due to the limited amount of land available for new hypermarket developments, high parking fees for the few spaces available at shopping malls, and the limited living space of many families.

As income levels increased through to 1997, supermarkets and hypermarkets became more popular for weekly shopping among wealthier Hong Kong citizens. However, the Asian economic crisis caused many consumers to be more price-sensitive. Tightened spending habits and growing price-consciousness among consumers have brought about a growth in food retailing co-operatives in Hong Kong, which have increased their range and supply of lower-priced food products for lower-income consumers. As a result of this trend, co-operatives have been able to compete successfully with supermarkets for lower-income consumer dollars, capturing 4% of the market on sales of $441.6 million in 1999. Sales at convenience stores have remained relatively stable for several years, at just over $384 million, for a 3.4% share of market sales. Convenience stores in Hong Kong are much like their counterparts found in Canada, offering 24-hour service and a wide selection of snacks and beverages. Traditional wet markets, including fish shops, butchers, and vegetable stands, accounted for up to

22% of food sales in 1999, at $2.5 billion. Wet markets are owned by different government departments (i.e. Hong Kong Food and Environmental Hygiene Department, and the Housing Authority), and have undergone significant modernization in recent years. Many wet markets are now air conditioned, contain freezers and refrigeration equipment, and are more environmentally pleasant than older markets.

The supermarket industry in Hong Kong is dominated by two giants: Wellcome (a division of the Jardines-owned Dairy Farm retailing chain), with 233 outlets that account for nearly 40% of supermarket sales, and PARKnSHOP (part of Li Ka-Shing's Hutchison conglomerate), with 196 outlets. A number of smaller chains do exist, such as the CRC chain, which has 66 supermarkets, the Guangnan KK group, which operates 43 outlets, and the Dah Chong Hong group (known to sell many Canadian products), which has 38 stores. There is also an important market for imported products among several independent Japanese-owned supermarkets. Japanese stores (e.g. Jusco, Seibu, Sogo, Uny) cater to a wealthier clientele and offer a wider range of premium-positioned goods than the mainstream supermarkets.

Supermarkets in Hong Kong are small in size by international standards. Being located in commercial and residential areas with their premium on space means that the range of products available at any store is limited, and the lack of storage space means that product outages are frequent and supplies must be delivered much more frequently than would be the norm in other countries.

Small crowded stores, poor customer service, and limited use of technology have characterized Hong Kong's supermarkets in the past. However, in recent years, the two largest chains have led the way in upgrading standards and developing new larger stores that offer a better selection, larger fresh-food sections, and a better shopping environment. PARKnSHOP is committed to the introduction of several new "hyper stores" and competitors are being forced to follow this lead. PARKnSHOP has also introduced product lines from the Waitrose Group (U.K.) and President's Choice (Canada). Both chains now offer fairly sophisticated and efficient delivery services, which customers can call upon through fax or Internet orders.

Recognizing the demand for lower-priced food items, the discount grocery chains, Yu Kee, Prize Mart, and USA 99 are offering a range of dry grocery food items or parallel imports from China, North America and other Asian countries at significantly reduced prices. The sector has grown rapidly during the economic turmoil and remain popular among lower income families.

Despite the number of supermarket outlets that exist in Hong Kong, it is often difficult and costly for small and medium-sized exporters to obtain shelf space and to afford the listing fees. The two major supermarket chains in the territory (Wellcome and PARKnSHOP) charge minimum listing fees of $20 to $70 per shelf-keeping unit per shop depending on the type of foods and availability of similar products. Instead, small

and medium-sized Canadian suppliers may find it beneficial to work with a distributor, agent, or consolidator who may have better access to major supermarket chains. In addition, some smaller food retailers and supermarket chains that either charge low listing fees or no fees at all, may provide good platforms for limited entry into the Hong Kong market.

Retailer margins in Hong Kong vary widely, not only by the type of outlet but also by the type of product. Estimates collected from several sources suggest that supermarkets have a typical mark-up of around 30%, convenience stores up to 50% and in some Japanese department store food courts, mark-ups can be as high as 100%.

Agents and Sales Representatives

An agent may help Canadian producers exporting to Hong Kong by providing contacts with key food retail chains, as well as by marketing and distributing products to those retail buyers. Well-established companies will have an extensive distribution network spanning many distribution outlets, not just a few supermarket outlets. When considering hiring an agent to help penetrate the Hong Kong market, exporters should consider several key factors, including the agent's business relationship with major supermarkets, the likelihood of those supermarkets taking on new products, the agent's reputation, and the distribution network available to the agent. In addition, the candidate agent should also have the required technology and quality delivery systems in place for supplying larger chains, if that is the Canadian exporter's demand.

Convenience stores buy goods from local importers and agents, and also charge listing fees for new products.

Market-entry Considerations

Canadian firms wishing to export to the Hong Kong market can gain exposure at large, export-oriented trade shows, such as ANUGA in Cologne, Germany, SIAL in Paris, France, or SIAL China in Shanghai. It would be most effective, however, to exhibit in the Canadian Pavilion at the May, 2001 Hotel and Food Exhibition (HOFEX) in Hong Kong. Hong Kong distributors and importers attend such shows regularly, and are constantly on the lookout for potential new products.

Suggested Business Practices

Canadian suppliers must be flexible in response to market needs. Packaging may have to be modified and/or prices discounted. Companies should contact Hong Kong importers with offers quoting c.i.f. or c.fr. (cost and freight) prices in either Canadian or U.S. currency (the Hong Kong dollar is pegged and fluctuates according to the U.S. dollar). Offers should be accompanied by specimen labels and illustrated catalogues or samples for all packaged items.

Frequently, one of the criticisms in Hong Kong concerning the importing of Canadian goods is that Canadian manufacturers are too inflexible concerning pricing of their products. Often, this is a result of the costs involved in getting the product to the distant markets across the Pacific. Establishing more flexible pricing policies will help Canadian exporters to gain a more favourable and competitive position in the Hong Kong market, in the long term. Therefore, it would be advantageous for Canadian exporters to work together to consolidate shipments to Hong Kong, in an effort to reduce freight costs, and to regularize delivery. The savings can then be passed on to Hong Kong importers, distributors, and ultimately, to the end users, making Canadian products more competitive.

Business cards are exchanged constantly, printed in English on one side and Chinese (Cantonese is the dominant dialect in Hong Kong) on the reverse. When presenting your business card to a Chinese person, hold it with both hands and with the Chinese side up. Take the time to read each card on receipt, noting especially the person's position in the organization. Business in Hong Kong is typically formal, making the use of formal greetings necessary unless requested not to. Shaking hands is appropriate. Suits and ties are worn all year round by men, and business suits by women, even in hot tropical summer weather. Do not dress casually unless asked to do so.

Appointments should be made before leaving Canada. Reconfirm appointment times, locations, participants, and the best means of reaching the designated meeting place. Be punctual, or phone ahead if delayed. Meetings typically begin with a few brief comments of casual conversation before moving to the items of business, and typically should be kept to one hour.

For more information regarding business conduct, business travel, and language tips for working in Hong Kong, please refer to Canada's Window on China, at http://www.canada.org.hk/english/hongkong/p113213.html.

Import Regulations

Hong Kong is a free port that does not apply import tariffs on agri-food products, with the exception of four items: liquor, spirits, tobacco products, and hydrocarbon oils(for fuel). Beer and liquor with less than 30% alcohol by volume are subject to a 30% duty, liquor with more than 30% alcohol has a 100% duty applied, and all wines are subject to a 60% import duty.

Hong Kong importers have to apply for a licence from the Hong Kong Customs and Excise Department for the importation of dutiable commodities. A licenced importer, subsequently, also has to apply for a permit for each and every consignment. In addition, import permits issued by the Hong Kong government are required for the import of meat, milk, and raw frozen and dairy food products.

In order to combat significant levels of frozen poultry products being smuggled into Hong Kong and mainland China, importers of frozen poultry must obtain import permits from the Food and Environmental Hygiene Department.

Labelling

The Food and Drugs (Composition and Labelling) Regulations require that food manufacturers and packers label their products in a prescribed, uniform and legible manner. The following information must be marked on the label of all prepackaged food,[7] except for "exempted items" outlined in the Regulations:

- name of food
- list of ingredients
- "best before" or "use by" date (must also appear in Chinese language)
- special requirements for storage conditions and/or usage of item
- name and address of manufacturer and packer
- number, net weight, or net volume of item

Labelling regulations allow for labelling of prepackaged food to appear in either English or Chinese languages. The decision on use of languages varies by product. For products that rely upon a perception of prestige or quality due to their Canadian origins, the use of English packaging over Chinese or bilingual alternatives might be beneficial. However, for products that require consumer understanding of product quality or differentiation, manufacturers would be well-advised to include Chinese labels on their products. While the appearance of English labels adds a perception of prestige and quality to products on store shelves, consumer confidence will be encouraged through the inclusion of labels in Chinese. Exporters will have to determine how they want to market their products, in order to determine what course of action to follow for product labelling. If both English and Chinese are to appear in the labelling or marking of prepackaged food, the name of the food and the list of ingredients must also appear in both languages.

Prepackaged foods that are exempt from these regulations include: individually wrapped confectionery products and preserved fruits intended for sale as a single item; foods for sale to catering businesses for immediate consumption; and food items containing more than 1.2% alcohol by volume.

[7] Prepackaged food is defined as food packaged in such a way that the contents cannot be altered without opening or changing packaging, and the food is ready for presentation to the ultimate consumer, or a catering establishment, as a single food item.

Advertising

The Hong Kong advertising media is world class. Canadian firms should be creative in selecting the most appropriate medium to generate awareness and demand for their products. In recent years, retail advertising in Hong Kong has shifted away from broadcast media, back toward an increased emphasis on print media. Hong Kong consumers are avid patrons of print media in nearly any form — newspapers, magazines, marketing flyers and advertising publications. The use of cut-out discount coupons is also increasing as a part of print campaigns, especially by product manufacturers who are introducing new products. Internet advertising also increased dramatically in 1999, led by e-commerce companies.

There are no advertising restrictions with respect to alcoholic drinks.

Local Hong Kong distributors cannot be solely relied upon to promote imported products. Canadian manufacturers exporting to Hong Kong must endeavour to provide sufficient advertising and promotion support for their products, in order to develop brand awareness. Advertising and promotional campaigns can be as complex as conducting television advertisements for the large Hong Kong and southern mainland China viewership, or as simple as attaching identifying stickers or pamphlets to packages, indicating that the products are Canadian. Retail promotions that include recipe cards on how to incorporate Canadian food products into Chinese cooking could lead to increased consumer acceptance of Canadian products. Joint promotions with retail outlets or restaurants, including tastings of exported foods and beverages might also lead to broader consumer awareness and appeal.

Local Standards, Certificates or Registrations

A health certificate from the Canadian Food Inspection Agency (CFIA) for canned food products is recommended to certify that the products were manufactured and packaged according to hygienic standards in Canada, and that samples of the product were also inspected and approved by the CFIA. The Hong Kong Food and Environmental Hygiene Department also will conduct its own sampling and analysis of food and beverage shipments upon arrival.

Canada's phytosanitary and other product quality standards satisfy Hong Kong requirements. However, to ensure the quality and wholesomeness of fresh and frozen meat, poultry/poultry parts, and fruit, a health certificate issued by the CFIA is required to accompany shipments. This also applies to live and frozen marine products.

On January 1, 2000, the Environment and Food Bureau (EFB) was created, with responsibility for policy matters concerning food supply and safety, environmental hygiene, environmental protection, conservation, and agriculture and fisheries. The EFB oversees three departments: the Environmental Protection Department; the Agriculture,

Fisheries, and Conservation Department; and the Food and Environmental Hygiene (FEH) Department. Canadian manufacturers of nearly any product for export to Hong Kong will likely have some interaction with the FEH, due to its broad responsibilities concerning food in Hong Kong. The responsibilities falling under the FEH include licensing and inspection of food premises; food safety and control responsibilities (food surveillance, food science and research, food standards, food labelling, nutritional claims, and nutritional surveys from the Department of Health); and inspection of live poultry and food animals. In short, food-safety surveillance along all levels of the food-production chain will be administered within one department.

With respect to fish and seafood, Hong Kong's Health and Municipal Services Ordinance, and its subsidiary regulations, prescribe precise hygiene, health, packaging and labelling requirements. Canadian exporters should consult with local importers on packaging issues to ensure that all regulations are met.

Export Credit Risks, Restrictions on Letters of Credit, Currency Controls

Hong Kong is a free port and therefore has no credit or currency control enforced by the government. The Hong Kong dollar is pegged to the U.S. dollar at the rate of HK$7.8 to US$1. Canadian exporters should consult their respective bankers concerning the commercial risk for transacting with Hong Kong companies.

Payment is usually made by irrevocable letter of credit. Other common means include open account, sight draft and documents against payment. Documents covering a shipment normally should include an invoice, health certificate, bill of lading or an airway bill, or other documents as specified. In the case of airfreight shipments, documents should be sent to the importer as soon as the shipment is effected.

PROMOTIONAL EVENTS

Event/Description	Organizer
China-Dongguan International Agriculture Technology & Science Exposition Dongguan, China 1-15 November 2000	International Agro Expo China (Dongguan) Ltd. Huying Park, Yingbing Rd. Dongguan, Guangdong, China Tel.: (867) 69221-0046 Fax: (867) 69222-1096 Contact: Nancy Wong E-mail: kwdwk@dongguan.gd.cn Internet: http://www.webunion.com/project/dongguan/english/index2.html
China Fisheries & Seafood Expo 2000 Beijing, China 1-3 November 2000	Sea Fare Expositions, Inc. Shilshole Ave. NW, Suite 200 Seattle, WA 98107 Tel.: (206) 789-6506 Fax: (206) 789-9193 E-mail: china@seafare.com Internet: www.seafare.com
China Wine 2000 Beijing, China 21-24 November 2000	Adsale Exhibition Services Ltd. 4/F Stanhope House 734 King's Rd. North Point, Hong Kong Tel.: (852) 2811-8897 Fax: (852) 2516-5024 E-mail: aes@adsaleexh.com
HOFEX 2001 Hong Kong, China 8-11 May 2001 (Biennial) The 9th Asian International Exhibition of Food & Drink	Hong Kong Exhibition Services Ltd. 9th Floor Shiu Lam Building 23 Luard Rd. Wanchai, Hong Kong Tel.: (852) 2804-1500 Fax: (852) 2528-3103 Contact: Nancy Yung E-mail: nancy@hkesmontnet.com.hk
SIAL Montreal Montreal, Quebec 4-6 March, 2001 (Biennial) International food and beverage exhibition reserved solely for industry professionals.	SIAL Montreal 300, Léo-Pariseau St., Suite 1100 P.O. Box 455, Place du Parc Montréal, Québec H2W 2N9 Tel.: (514) 289-9669 Fax: (514) 849-3021 Contact: Alain Bellefeuille E-mail: abellefeuille@sial-montreal.com

Event/Description	Organizer
SIAL China Shanghai, China 10-13 April 2001 (Annual) China international food products and beverage exhibition.	SIAL - COFCO ADEX c/o Exposium 1 Rue du Parc F-92593 Levallois-Perret Cedex, France Tel.: ++33 (1) 49 68 54 22 Fax: ++33 (1) 49 68 54 11 Contact: Anne Capdevielle E-mail: acapdevielle@exposium.fr Internet: http://www.exposium.com/contenu_gb/fiche/sial_china.htm
Agro-Foodtech China Beijing, China 24-26 April 2001 The unique international exhibition for agriculture, animal breeding and food processing techniques in China.	Exposium / CCPIT-SSA E-mail: agro-foodtech@exposium.fr Contact: Kelly Wheatley Tel.: (704) 365 0041 Fax: (704) 365 8426 E-mail: agrofoodtech@imexmgt.com
Food Ingredients China 2000 Shanghai, China 17-20 July 2001 (Annual)	China Food Additive Production and Application Industry Association (CFAA), CCPIT-Light Industry 22B Fuwai St. Beijing 100833 China Tel.: (86-10) 6839-6330 Fax: (86-10) 6839-6422 E-mail: ccpitsli@public3.bta.net.cn
Food & Hotel China 2001 Shanghai, China August 28-31, 2001	Hong Kong Exhibition Services Ltd. 9th Floor Shiu Lam Building 23 Luard Rd. Wanchai, Hong Kong Tel.: (852) 2804-1500 Fax: (852) 2528-3103 Contact: Nancy Yung E-mail: nancy@hkesmontnet.com.hk
World Aquaculture 2002 Beijing, China 6 – 10 May, 2002	World Aquaculture Society 2423 Fallbrook Place Escondido, CA 92027 USA Tel.: (760) 432 4270 Fax: (760) 432 4275 Email: worldaqua@aol.com

KEY CONTACTS AND SUPPORT SERVICES

Canadian Government Contacts

Agriculture and Agri-Food Canada
International Markets Bureau
930 Carling Ave., 10th Floor
Ottawa, ON K1A 0C5
Contact: Maria Lo
Tel.: (613) 759-7729
Fax: (613) 759-7506
E-mail: lom@em.agr.ca

Canadian Commercial Corporation
50 O'Connor St., Suite 1100
Ottawa, ON K1A 0S6
Tel.: 1-800-748-8191 or (613) 996-0034
Fax: (613) 995-2121
E-mail: info@ccc.ca
Internet: http://www.ccc.ca

Canadian Embassy and Consulates
Canadian Embassy – Beijing
19 Dongzhimenwai St.
Chaoyang District
Beijing 100600 China
Tel.: (011-86-10) 6532-3536
Fax: (011-86-10) 6532-4072
Contact: Bruce Howard
E-mail: bruce.howard@dfait-maeci.gc.ca
Internet: www.canada.org.cn

Canadian Consulate General – Hong Kong
13th Floor, Tower 1
Exchange Square
Central, Hong Kong
Tel.: (852) 2847-7414
Fax: (852) 2847-7441
E-mail: canadatrade.hkong@dfait-maeci.gc.ca
Internet: www.canada.org.cn

Mailing Address:
P.O. Box 11142 GPO
Central
Hong Kong, China
Tel : (852) 2847-7414
Fax : (852) 2847-7441
Contact: Monica Heron
E-mail: monica.heron@dfait-maeci.gc.ca

Canadian Food Inspection Agency (CFIA)
59 Camelot Dr.
Nepean, ON K1A 0Y9
Tel.: (613) 225-2342
Fax: (613) 228-6653
E-mail: cfiamaster@em.agr.ca
Internet: http://www.cfia-acia.agr.ca

Department of Foreign Affairs and International Trade (DFAIT)
125 Sussex Dr.
Ottawa, ON K1A 0G2
Internet: http://www.dfait-maeci.gc.ca

Authentication and Service of Documents (JLAC)
Tel.: (613) 992-6602
Fax: (613) 992-2467

China and Mongolia Division (PCM)
Contact: Gregory Chin
Tel.: (613) 996-7256
Fax: (613) 943-1068

Market Support Division (TCM)
Contact: Blair Gowan
Tel.: (613) 944-2462
Fax: (613) 943-1103

Tariffs and Market Access Division (EAT)
Tel.: (613) 992-2177
Fax: (613) 992-6002 or (613) 944-4840

Export Development Corporation (EDC)
151 O'Connor St.
Ottawa, ON K1A 1K3
Tel.: 1-800-850-9626 or (613) 598-2500
Fax: (613) 598-6697
E-mail: export@edc4.edc.ca
Internet: http://www.edc.ca

Agriculture and Agri-Food Canada

The Agri-Food Trade Service regional contacts are as follows:

Al McIsaac
St. John's, NF
Tel.: (709) 772-0330
E-mail: mcisaaca@em.agr.ca

Shelley Manning
Halifax, NS
Tel.: (902) 426-2137
E-mail: mannings@em.agr.ca

Bernard Mallet
Fredericton, NB
Tel.: (506) 452-3732
E-mail: malletb@em.agr.ca

Chris Pharo
Charlottetown, PEI
Tel.: (902) 566-7310
E-mail: pharoc@em.agr.ca

Bernard Gravel
Montreal, QC
Tel.: (514) 283-3815 (ext.506)
E-mail: gravelb@em.agr.ca

Gary Nelson
Guelph, ON
Tel.: (519) 837-5848
E-mail: nelsong@em.agr.ca

Fay Abizadeh
Winnipeg, MB
Tel.: (204) 983-8622
E-mail: abizadehf@em.agr.ca

Roy Gordon
Regina, SK
Tel.: (306) 780-7134
E-mail: gordonr@em.agr.ca

Colin J. Campbell
Edmonton, AB
Tel.: (780) 495-4186
E-mail: campbellc@em.agr.ca

Tracey Innes
New Westminster, BC
Tel.: (604) 666-9353
E-mail: innest@em.agr.ca

International Trade Centres

For export counselling or publications for Canadian exporters, contact a local International Trade Centre by calling 1-888-811-1119.

Export-Oriented Canadian Food Industry Associations

A detailed list of both provincial and national Canadian food industry associations can be found on the Agriculture and Agri-Food Web site at: http://atn-riae.agr.ca/public/associations-e.htm.

Alliance of Manufacturers & Exporters Canada
75 International Blvd., 4th Floor
Toronto, ON M9W 6L9
Tel.: (416) 798-8000 or (613) 563-9218
Fax: (416) 798-8050
E-mail: national@the-alliance.com
Internet: http://www.the-alliance.com

Atlantic Canada Export Club
24 Pictou Rd.
Truro, NS B2N 2R8
Tel.: (902) 893-7539
Fax: (902) 893-7041
E-mail: atlcanadaexport@ns.sympatico.ca
Internet: http://www.atlcanadaexport.ca

Canadian Food Exporters Association
885 Don Mills Rd., Suite 301
Don Mills, ON M3C 1V9
Tel.: 1-888-227-8848 or (416) 445-3747
Fax: (416) 510-8044
Contact: Susan Powell
E-mail: susanp@cfea.com
Internet: http://www.cfea.com

Food Beverage Canada
17311 – 103rd Ave., Suite 201
Edmonton, AB T5S 1J4
Tel.: 1-800-493-9767 or (780) 486-9679
Fax: (780) 484-0985
Internet: http://www.foodbeveragecanada.com

Food Institute of Canada (FIC)
1600 Scott St., Suite 415
Ottawa, ON K1Y 4N7
Tel.: (613) 722-1000
Fax: (613) 722-1404
Internet: http://foodnet.fic.ca

Quebec Agri-Food Export Club
200 MacDonald St., Suite 102
St. Jean-sur-Richelieu, QC J3B 8J6
Tel.: (514) 349-1521
Fax: (514) 349-6923
E-mail: castor@profil-cdi.qc.ca
Internet: http://www.profil-cdi.qc.ca

Chinese Government Contacts in Canada

Embassy of the People's Republic of China
515 St. Patrick St.
Ottawa ON K1N 5H3
Tel.: (613) 789-3434
Fax: (613) 789-1911
Internet: http://www.chinaembassy-canada.org

Consulate General – *Calgary*
1011 - 6 Ave. SW, Suite 100
Calgary AB T2P 0W1
Tel.: (403) 264-3322
Fax: (403) 264-6656

Consulate General – *Toronto*
240 St. George St.
Toronto ON M5R 2P4
Tel.: (416) 964-7260
Fax: (416) 324-6468

Consulate General – *Vancouver*
3380 Granville St.
Vancouver BC V6H 3K3
Tel.: (604) 734-7492
Fax: (604) 737-0154

Government Contacts in Hong Kong

Agriculture, Fisheries and Conservation Department
5/F, Cheung Sha Wan Government Offices,
303 Cheung Sha Wan Road,
Kowloon, Hong Kong
Tel: (852) 2150-666
Fax: (852) 2311-3731
E-mail: afcdenq@afcd.gcn.gov.hk
Internet: www.info.gov.hk/afcd

Customs and Excise Department
8/F Harbour Building
38 Pier Rd.
Central, Hong Kong
Tel.: (852) 2852-3324
Fax: (852) 2542-3334

Food & Environmental Hygiene Department
Food Surveillance and Control Division
43/F, Queensway Government Offices,
66 Queensway, Hong Kong
Tel: (852) 2868-0000
Fax: (852) 2530-1368
E-mail: enquiries@fehd.gov.hk
Internet: www.fehd.gov.hk

Government of Hong Kong Special Administrative Region Gazette Printing Department
14/F Cornwall House
Taikoo Place, 979 King's Rd.
Quarry Bay, Hong Kong
Tel.: (852) 2564-9500 or 2565-1145
Fax: (852) 2147-4821
E-mail: gpd@hkstar.com
Internet: http://www.info.gov.hk/pd

Trade and Industry Department
Trade and Industry Department Tower
700 Nathan Rd.
Kowloon, Hong Kong
Tel.: (852) 2398-5288 or 2392-2922 (24-hour hotline)
Fax: (852) 2391-9067
Internet: http://www.info.gov.hk/tid/e-index.htm

Canadian Associations in Hong Kong

Alberta Government
Room 1004, Tower 2, Admiralty Centre
18 Harcourt Road
Hong Kong
Contact: Shirley Kwan, Managing Director
Tel: (852) 2528-4729
Fax: 2529-8115
E-mail: atagovhk@netvigator.com
Internet: www.alberta.org.hk

Macau-Canada Association
(c/o Fred Kan & Co.)
31/F Central Plaza
18 Harbour Rd.
Wanchai, Hong Kong
Tel.: (852) 2598-1318
Fax: (852) 2588-1318
Contact: Fred Kan, President

Canadian Chamber of Commerce in Hong Kong
Suite 1003 Kinwick Centre
32 Hollywood Rd.
Central, Hong Kong
Tel.: (852) 2110-8700
Fax: (852) 2110-8701
Contact: Lale Kesebi, Executive Director
Internet: http://www.cancham.org

Manitoba Trade Office
(c/o CanAsia Enterprises Ltd.)
1303 Chinachem Johnston Plaza
178-186 Johnston Road
Wanchai, Hong Kong
Contact: Richard M.G. Walker, Director
Tel: (852) 2524-5047
Fax: (852) 2861-0184
E-mail: canasia@asiaonline.net

P.E.I. Trade & Development Inc.
Unit 1815, 18/F, Miramar Tower
1-23 Kimberley Road, Tsimshatsui
Kowloon, Hong Kong
Contact: Daisy Wong, Sr. Investment Counsellor
Tel: (852) 2721-7888
Fax: (852) 2739-8883
E-mail: peitdhk@hknet.com

Service D'Immigration Du Québec
(c/o Consulate General of Canada)
13/F, One Exchange Square
8 Connaught Place
Central, Hong Kong
Contact: Gilles Cye, Director
Tel: (852) 2810-7183
Fax: (852) 2845-3889
E-mail: quebec.hkong@dfait-maeci.gc.ca

Food Importers in Hong Kong

Angliss China Company Ltd.
47-51 Kwai Fung Cres.
Kwai Chung, New Territories, Hong Kong
Tel.: (852) 2481-5111
Fax: (852) 2489-8861
Contact: Charles Ling, Managing Director
Importer/exporter: wholesaler of frozen meat, poultry, fish, meat offal, vegetables, and beverages.

Dah Chong Hong Ltd.
8/F, 20 Kai Cheung Rd.
Kowloon Bay
Kowloon
Tel: (852) 2768-3388
Fax: (852) 2953 0163
Contact person: Mr. H.F. Chu, Director
Importer/exporter: (wholesaler retailer of frozen meat, poultry, fish, fresh/frozen vegetables, edible oils, dried beans, animal feed, fruit juices, etc..

Eurosia Holdings Limited
Rooms 1101-3, 11/F
The Leader Commercial Building
54 Hillwood Rd., Tsimshatsui
Kowloon, Hong Kong
Tel.: (852) 2366-9309
Fax: (852) 2721-5021
Contact: Peter Lee, Director
Importer/exporter: frozen meat, poultry, fish and fish products, vegetables, milk powder.

Friesland Foods Limited
17/F Shun Tak Centre
200 Connaught Rd. Central
Central, Hong Kong
Tel.: 2547-6226
Fax: 2858-3093
Contact: Bernard Yiu, Managing Director
Importer/exporter/institutional supplier: dairy products, foodstuffs including frozen seafood; agent for U.S., U.K., Denmark, Sweden, Taiwan.

Fish/Vegetable Marketing Organizations
757 Lai Chi Kok Road
Kowloon
Hong Kong
Tel: (852) 2387-8648
Fax: (852) 2728-7883
Contact person: Edward K.Y. Lai, General Manager
Importer/wholesaler/distributor of vegetable and fresh chilled and frozen seafood.

Kampery Development Ltd.
Flat F-G, 4/F, Block 2, Wah Fung Ind Centre
33-39 Kwai Fung Crescent
Kwai Chung, New Territories, Hong Kong
Tel: (852) 2420-2472
Fax: (852) 2489-8705
Contact person: Phyllis Cheuk, Executive Director
Importer/distributor of dry grocery foodstuffs.

Kwong Tung Fat (Marketing) Ltd.
24-25/F. Allied Cargo Centre
150-164 Texaco Rd.
Tsuen Wan, Hong Kong
Tel.: (852) 2487-9328
Fax: (852) 2487-0254
Contact: M. L. Sin, Managing Director
E-mail: ktfmktit@ctimail3.com
Importer/distributor of dry grocery foodstuffs.

Merchantlink International Ltd.
Unit 12A, Prudential Assurance Tower
79 Chatham Road South
Tsimshatsui, Kowloon, Hong Kong
Contact: Fritz C. Wong, Director
Tel: (852) 2750 8036
Fax: (852) 2318 1354
E-mail: fritz@merchantlink.com.hk
Importer: poultry – currently import about 10 containers of poultry products per month from Canada.

Mingson Industries Ltd.
Unit F-J, 3rd Floor, Block 1
Kwai Tak Industrial Centre
Kwai Tak St., Kwai Chung
Hong Kong
Tel.: (852) 2420 0308
Fax: (852) 2480 4466
Contact: Andrew Lee, Managing Director
Importer: frozen pork, beef and poultry.

Moon Kee Co.
G/F, Shop 8, Block A, Shun Lee Bldg
240 Ferry Street
Kowloon, Hong Kong
Tel: (852) 2770-7385
Fax: (852) 2770-0074
Contact person: Kam-Wai Chu, Manager
Importer/wholesaler of fruit.

Pan Fish Sales (H.K.) Ltd.
Unit 2216, 22/F, Honour Industrial Centre
6 Sun Yip Street
Chai Wan, Hong Kong
Tel: (852) 2317-4526
Fax: (852) 2317-4588
Contact person: Andrew Miu, General Manager
Importer/distributor of frozen seafood and chilled Atlantic farmed salmon

Worldwide Seafood Ltd.
Flat A1, Wah Ha Factory Building
G/F., 1069-1073, King's Road
Quarry Bay
Hong Kong
Tel: (852) 2911-4981
Fax: (852) 2563-0300
Contact person: Mr. Joseph Lee, Director
Major importer of Canadian seafood products including lobster, Dungeness Crab, geoduck snow crab.

Food Retailers in Hong Kong

China Resources Supermarket (HK) Co. Ltd.
32/F, China Resources Building
26 Harbour Road
Wanchai
Hong Kong
Tel: (852) 2827-8333
Fax: (852) 2827-9975
Contact person: Dong Sheng Chin, Assistant General Manager
Importer/retailer: many kinds of foodstuffs for supermarkets

Circle K Convenience Stores (HK) Ltd.
10/F., CNT Group Building
822 Lai Chi Kok Road
Kowloon, Hong Kong
Tel: (852) 2991-6318
Fax: (852) 2991-6317
Contact Person : Mr. Wallace Tse, Buying and Marketing Manager
Importer/retailer of all kinds of food products for sales in convenience stores

City Super Ltd. - Fenix Group
Rm 2105-8 Riley House
88 Lei Muk Road
Kwai Chung
New Territories
Tel: (852) 2610-0261
Fax: (852) 2956-0633
Contact person: Ben Lam, Operations Manager & Buyer, Food Division
Importer/retailer: many kinds of foodstuffs for supermarkets

Guangnan (KK) Supermarket Ltd.
2/F Winner Building
2-8 Shing Wan Rd.
Tai Wai, New Territories, Hong Kong
Tel.: 2694-7171
Fax: 2691-8119
Contact person: Ms. H.Q. Tang, Director and Deputy General Manager
Importer/retailer of various food products for sale in supermarkets.

Jusco Stores (HK) Co. Ltd.
3/F, Stanhope House
738 King's Road
Quarry Bay, Hong Kong
Tel: (852) 2565-3600
Fax: (852) 2563-8654
Contact person: Ben P.W. Tse, Senior Buyer
Importer/retailer: many kinds of foodstuffs for supermarkets

PARKnSHOP Limited
9/F, Watson House
1-5 Wo Liu Hang Road
Fotan, Shatin
New Territories
Tel: 2606 8833
Fax: 2695 3664
Contact person: Mr. Tim Chalk, Trading Director
Importer/retailer: many kinds of foodstuffs for supermarkets

USA 99 International Ltd.
Block A, 15/F, Vita Tower
29 Wong Chuk Hang Road
Aberdeen, Hong Kong
Tel: (852) 2870-0002
Fax: (852) 2873-0361
Contact person: Ricky P. L. Lok, Director
Importer/retailer: many kinds of dry food groceries for sales in supermarket

Wellcome Co. Ltd.
5/F, Devon House, Taikoo Place
Quarry Bay, Hong Kong
Tel.: (852) 2299-3838
Fax:(852) 2299-2181
Contact person: Mr. Steve Fitton, Merchandise Director
Importer/retailer: many kinds of food products for sales in supermarkets.

Industry Contacts in Hong Kong

Aqua Pure Distilled Water Co. Ltd.
Tacion Industrial Centre
11-12 Dai King St.
Tai Po Industrial Estate
New Territories, Hong Kong
Tel.: (852) 2680-2888
Fax: (852) 2667-0866
Contact: Stephen S.M. Chang, Director and General Manager

A & W Food Service Ltd.
Block A, 3/F, Valiant Ind. Centre
2-12 Au Pui Wan Street
Fo Tan, Shatin, New Territories, Hong Kong
Tel: (852) 2606-2000
Fax: (852) 2694-8342
Bottler of fresh fruit juice.

Organic Farming Association
c/o Kadoorie & Botanic Garden
Lam Kam Rd., Taipo
New Territories, Hong Kong
Tel.: (852) 2483-9787
Fax: (852) 2488-3035

Wah Yuen Investment Holdings Limited
2/F, On Shing Industrial Bldg
2-16 Wo Liu Hang Road
Fo Tan, Shatin, New Territories, Hong Kong
Tel: (852) 2692-2221
Fax: (852) 2691-0971
Contact person: Brandon C. T But, Managing Director
Manufacturer of meat jerky and snacks.

Banks in Hong Kong

Bank of China
Bank of China Tower
1 Garden Road,
Central, Hong Kong
Tel : (852) 2826 6888
Fax : (852) 2810-5963

Bank of Montreal
Jardine House, Suite 4101
1 Connaught Place
Central, Hong Kong
Tel.: (852) 2522-4182
Fax: (852) 2810-4520

Bank of Nova Scotia
25/F United Centre
95 Queensway, Hong Kong
Tel.: (852) 2529-5511
Fax: (852) 2527-2527

Bank of Taiwan
4/F Nine Queen's Rd.
Central, Hong Kong
Tel.: (852) 2521-0567
Fax: (852) 2869-4957

Canadian Imperial Bank of Commerce
Suite 3602, No. 2 Queen's Road Central
Hong Kong
Tel : (852) 2841 6111
Fax : (852) 2845-9218

National Bank of Canada
Jardine House, Suite 4001
1 Connaught Place
Central, Hong Kong
Tel.: (852) 2801-7555
Fax: (852) 2845-9011

Royal Bank of Canada
18/F Gloucester Tower
11 Pedder St.
Central, Hong Kong
Tel.: (852) 2843-0888
Fax: (852) 2521-7674

Toronto-Dominion Bank
18/F Hutchison House
10 Harcourt Rd.
Hong Kong
Tel.: (852) 2846-4111
Fax: (852) 2845-9191

APPENDIX A – Business Do's and Don'ts

Do:

- familiarize yourself with China's culture, politics, business and social practices;

- understand that respect — amply seasoned with a knowledge and understanding of the Chinese culture — will be a critical building block in the foundation of a commercial relationship;

- understand the full meaning of *guanxi*, as well as the Chinese philosophy of "friendship first, business second";

- enlist the assistance of the Government of Canada through its various departments, offices, Consulates General and the Canadian Embassy in Beijing;

- take advantage of Government-supported trade initiatives, e.g. Team Canada visits;

- become familiar with Canadian public policies and public- and private-sector initiatives designed to provide a competitive advantage to Canadian companies;

- be aware, if your company is an SME, that market access will likely occur more quickly if you are part of a consortium;

- note the advantages inherent in offering attractive financing options;

- become familiar with the advantages/disadvantages afforded by joint ventures with Chinese companies. Wholly owned foreign companies, technology transfer arrangements, trading companies and establishment of local sales offices are also options that require examination;

- recognize the value of early and frequent visits to project sites to meet key contacts and maintain relationships;

- adopt visible marketing and promotion tools — in the appropriate Chinese dialect (e.g. Mandarin or Cantonese) — that inform potential customers of who you are, what you do and how to contact you;

- be aware that thoughtful, targeted marketing can result in your product becoming the "preferred" one;

- note that for most large procurements, pre-qualification of your product will likely be necessary;

- be aware of the increased (spin-off) commercial opportunities that can develop as a result of establishing a presence in China, practising *guanxi*, and expanding your circle of business associates;

- have your agent or advisor research relevant aspects of the opportunity and establish contact with key officials at the project management as well as municipal, provincial and central government levels;

- allow your agent or advisor to advise you on, and facilitate, meetings and subsequent negotiations;

- instruct your agent or advisor to keep you apprized of the trading practices in China of other foreign exporters; and

• recognize that major contracts are often lost over minor misunderstandings. Rely on your agent's or advisor's knowledge and never "infer" or "assume" what terms mean or what type of response is required to a communication.

Do Not:

• visit China on a speculative, unassisted basis;

• compete with low-tech domestic airport equipment manufacturers; and

• assume that corrupt officials control regional markets because new laws are not being policed. New laws are not implemented overnight but the changes *are* being made!

BIBLIOGRAPHY

Print

Access Asia. *Retailing in Hong Kong* , May 2000.

Agra Europe., "Cautious Optimism on World Poultry Market," May 12, 2000.

Consulate General of Canada – Hong Kong. *The Hong Kong Seafood Report*, June 2000 (draft version).

Dagens Naeringsliv. "Pan Fish Expands in China," August 12, 2000.

Datamonitor. *Asia-Pacific Beer and Cider 1999* , July 1999.

Dow Jones Commodities Service. "USDA Reports on Hong Kong Poultry Imports," February 7, 2000.

———. "USDA/Hong Kong: Beef, Pork Consumption Seen Down," August 4, 1999.

Euromonitor. *The Market for Alcoholic Drinks in Hong Kong*, May 1999.

———. *The Market for Confectionery in Hong Kong* , November 1999.

———. *The Market for Soft Drinks in Hong Kong*, January 2000.

Icon Group International Inc. *Food Processing Equipment in Hong Kong*, May 1999.

Electronic

Consulate General of Canada – Hong Kong. *The Hong Kong Food Market* , August 1999. Downloaded **from http://ats.agr.ca/public/htmldocs/e2747.htm** on July 26, 2000.

National Farm Products Council. *Poultry Meat Export Awareness Mission Report* , November 1999. Downloaded from **http://nfpc-cnpa.gc.ca/english/reports/asiamission.html** on August 16, 2000.

United States Department of Agriculture (USDA). *Hong Kong: Cooking Oil and Fats Market Brief, 1999* , February 2000, downloaded from **http://www.fas.usda.gov/scriptsw/attacherep/attache_lout.asp** on August 5, 1999.

———. *Hong Kong: Organic Products, 2000* , 26 January 2000, downloaded from **http://www.fas.usda.gov/scriptsw/attacherep/attache_lout.asp** on July 17, 2000.

———. *Hong Kong: Reorganization of Hong Kong Food Safety Agencies, 2000*, January 12, 2000, downloaded from **http://www.fas.usda.gov/scriptsw/attacherep/attache_lout.asp** on July 20, 2000.

———. *Hong Kong: Retail Food Sector Report, 1999*, 18 November 1999, downloaded from **http://www.fas.usda.gov/scriptsw/attacherep/attache_lout.asp** on 15 July 2000.

OTHER REFERENCE MATERIAL

Electronic

United States Department of Agriculture (USDA). *Hong Kong: Poultry and Products (Poultry Semi-Annual Report 2000)* , February 2, 2000, downloaded from **http://www.fas.usda.gov/scriptsw/attacherep/attache_lout.asp,** July 17, 2000.

———. *Hong Kong: Hong Kong Wine Market Brief (1999)*, July 29, 1999, downloaded from **http://www.fas.usda.gov/scriptsw/attacherep/attache_lout.asp**, July 17, 2000.

Useful Internet Sites

Asia Pacific Foundation: **http://www.asiapacific.ca**

Canada's Window on China: **http://www.canada.org.hk**

China Council for the Promotion of International Trade (CCPIT): **http://www.ccpit.org** (regulations, tariffs, business climate, etc.)

ChinaMarket: **http://www.chinamarket.com.cn** (posts tender notices/pre-notices and company information)

China Pages – China Business Information Resources: **http:/www.chinapages.com**

ChinaSite: **http://www.chinasite.com** (comprehensive English-language Chinese Internet portal with links to a wide variety of business sector sites)

China Today: **http://www.chinatoday.com**

China Trading: **http://www.chinatrading.com**

Forecast of Major Purchases, The Government of the Hong Kong Special Administrative Region: **http://www.info.gov.hk/gsd/english/plan.htm**

Hong Kong Special Administrative Region government website: **http://www.info.gov.hk/eindex.htm**

Hong Kong Trade Development Council: **http://www.tdctrade.com**

National Farm Products Council: **http://nfpc-cnpa.gc.ca**

South China Morning Post: **http://www.scmp.com/news**

Sinosource – Business Directory of China: **http://www.sinosource.com**

Table 4. Currency Conversion Rates for the Canadian Dollar, the Hong Kong dollar and the U.S. Dollar (using average annual rates)

Currencies	1994	1995	1996	1997	1998	1999	June 2000
Canadian dollar to Hong Kong dollar	5.659	5.638	5.673	5.594	5.227	5.224	5.308
Hong Kong dollar to Canadian dollar	0.177	0.177	0.176	0.179	0.192	0.192	0.188
Canadian dollar to U.S. dollar	0.732	0.729	0.733	0.722	0.675	0.673	0.682
U.S. dollar to Canadian dollar	1.366	1.372	1.364	1.385	1.484	1.486	1.467
U.S. dollar to Hong Kong dollar	7.729	7.354	7.734	7.743	7.746	7.759	7.786
Hong Kong dollar to U.S. dollar	0.129	0.129	0.129	0.129	0.129	0.129	0.128

Source: IDD Information Services, *Tradeline*, July 2000.

READER EVALUATION

Please help the Market Research Centre to produce market reports which meet your information needs by completing this evaluation form and returning it by fax (613) 943-1103. Thank you for your valuable input.

1. How did you obtain a copy of this market report?
   - ☐ InfoCentre FaxLink system
   - ☐ InfoCentre help line
   - ☐ Local government office
   - ☐ Government Internet site
   - ☐ Other: _____

2. How would you describe this market report?

	Strongly agree	Agree	No opinion	Disagree	Strongly disagree
Useful	☐	☐	☐	☐	☐
Complete	☐	☐	☐	☐	☐
Well organized	☐	☐	☐	☐	☐
Well written	☐	☐	☐	☐	☐
Ideal length	☐	☐	☐	☐	☐

3. In what form do you prefer to obtain these reports?
   - ☐ Print
   - ☐ Electronic

4. Based on the information in this report, what specific action(s) does your organization plan to take in this market? Check all that apply.
   - ☐ Seek an agent/distributor
   - ☐ Visit the market
   - ☐ Do more research
   - ☐ Other: _____
   - ☐ Contact Canadian trade office abroad
   - ☐ Participate in a trade show abroad
   - ☐ Nothing

5. What other market reports would be of benefit to your organization? Please identify specific products and countries. _____

6. Which of the following categories best describes your organization? Check one only.
   - ☐ Processor/manufacturer
   - ☐ Trading house
   - ☐ Export service provider
   - ☐ Industry/trade association
   - ☐ Government
   - ☐ Student/academia
   - ☐ Consultant
   - ☐ Other: _____

7. What were your organization's total sales last year, in Canadian dollars?
   - ☐ Less than $10 million
   - ☐ More than $50 million
   - ☐ $10 million to $50 million
   - ☐ Not applicable

Additional comments/suggestions for improvement: _____

OPTIONAL — The name of your organization is: _____